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THE RE-BIRTH OF FINNISH FILM: AN ECOSYSTEM POINT OF VIEW

Master’s Thesis
Väinö Mäkelä
Aalto University School of Business
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School of Business

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi

Abstract of master's thesis

Author Väinö Mäkelä

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Abstract

This research investigates the Finnish film ecosystem between years 1995 and 2015. It uses an ecosystem approach to explain how Finnish film gained popularity over the years. It argues, that the ecosystem evolved massively over the years, and sheds light on how the development of the ecosystem affected the growth in admissions for Finnish film, and the increased market share for domestic film over foreign film in Finland. The research describes how the Finnish Film Foundation is a focal organization in the ecosystem, and how they contributed to the ecosystem development.

The research finds that the Finnish Film Foundation has been a focal organization in the Finnish film ecosystem, managing and guiding the ecosystem over the years. More specifically, it finds that the Finnish Film Foundation used its *smart power* to address innovation challenges within the ecosystem.

The research process follows the principle of systematic combining. In order to investigate how the ecosystem for Finnish film was developed between years 1995 and 2015, a historical study was constructed based on a large amount of data available on the topic. The data was then complemented and the research was reoriented with member checking. The historical study was then analysed with the learnings from the literature review, which combines current ecosystem theory and film industry theory in the academia. As a result, the research participates in the academic discussion on ecosystem management by combining existing theory and interpreting it through a historical case study.

This research describes through a case study how an ecosystem evolved over time. Based on the analysis of the study, the research proposes managerial guidelines on how focal organizations in ecosystems can address innovation challenges within the ecosystem with the use of smart power. The guidelines are tailored for a setting where the focal company's ultimate goal is not to gain a chokehold over the ecosystem or gain competitive advantage over other ecosystem players, but rather to make the industry bloom. For this reason, the findings of this study are useful for non-profit focal organizations that focus on nurturing ecosystems.

Keywords ecosystem development, ecosystem management, complementor relationships, smart power

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Tiivistelmä

Tämä tutkielma käsittelee suomalaisen elokuvan ekosysteemiä vuosien 1995 ja 2015 välillä. Tutkielma tarkastelee ilmiötä ekosysteemin näkökulmasta, ja pyrkii ekosysteemiteorian avulla selittämään miten kotimainen elokuva nosti Suomessa suosiotaan vuosien varrella. Tutkielma esittää, että ekosysteemi kehittyi vuosien varrella merkittävästi, ja tämä ekosysteemin kehitys on vaikuttanut katsojalukujen sekä kotimaisen elokuvan markkinaosuuden merkittävään kasvuun Suomessa vuosien varrella. Suomen elokuvasäätiö asetetaan tutkielmassa suomalaisen elokuvan ekosysteemin keskiöön, ja tarkastellaan kuinka säätiö toimillaan on vaikuttanut ekosysteemin kehittämiseen.

Tutkielma todentaa, että Suomen elokuvasäätiö on keskeinen tekjiä Suomalaisen elokuvan ekosysteemissä, ja on vuosien varrella kehittänyt ja ohjannut ekosysteemiä. Tätä kehitystä on toteutettu *smart power* strategioilla, joita hyödyntämällä on vastattu ekosysteemin innovaatiohaasteisiin.

Tutkielman metodologia seuraa systemaattisen yhdistelemisen periaatetta. Tutkielma käy läpi historiallisen katsauksen vuosien 1995 ja 2015 välillä, jotta voidaan paremmin ymmärtää miten ekosysteemi vuosien varrella kehittyi. Tämä katsaus perustuu laajaan kokoelmaan dataa joka aiheesta on julkisesti saatavilla. Dataa täydennettiin ja katsausta korjattiin member checking menetelmällä, joka antoi tutkielmalle iteratiivisen tutkimusprosessin edetessä uutta suuntaa. Historiallinen katsaus analysoitiin perustuen kirjallisuuskatsaukseen. Kirjallisuuskatsaus yhdistää tieteellistä keskustelua elokuvateollisuudesta ja ekosysteemiteoriasta. Lopputuloksena tutkielma osallistuu tieteelliseen keskusteluun ekosysteemin kehittämisestä ja johtamisesta, yhdistelemällä olemassa olevaa kirjallisuutta aiheesta ja peilaamalla sitä historialliseen tutkimukseen suomalaisen elokuvan ekosysteemistä ja sen kehittymisestä.

Tutkielma kuvaa ekosysteemin kehittymistä vuosien varrella. Analyysiin pohjautuen tässä tutkielmassa esitetään johdolle ohjeita ja suosituksia siitä miten ekosysteemin keskeisten organisaatioiden tulisi vastata innovaatiohaasteisiin ekosysteemeissä smart power strategioilla. Ohjeet on räätälöity asetelmaan jossa ekosysteemin keskeisen organisaation pääasiallisena tavoitteena ei ole saada ekosysteemistä ja sen jäsenistä ”kuristusotetta” tai kasvattaa kilpailuetueaan muihin ekosysteemin jäseniin, vaan enemmänkin kehittää koko ekosysteemiä ja toimialaa suosiollisempaan suuntaan. Tästä syystä tutkielman löydökset ovat hyödyllisiä ekosysteemien keskeisille voittoa tavoittelemattomille organisaatoille, jotka keskittyvät ekosysteemien ja toimialojen kehittämiseen.

Avainsanat ekosysteemin kehittäminen, ekosysteemin johtaminen, smart power

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1. Introduction

1.1 Background

"*Every business ecosystem develops in four distinct stages: birth, expansion, leadership, and self-renewal – or, if not self-renewal, death"* Moore (1993, pp.76).

The cinema admissions took heavy damage globally when VHS hit the market in the late 1980s, as consumers suddenly had an alternative way to consume films. The market in Finland was not significant in size to start off with, so the effect of the VHS was lethal. As a result of this damage, the Finnish film industry was struggling in the 1990s. In the year 1996 the market share for domestic movies in Finland was 3.7% and the total amount of admissions for domestic movies was approximately 200 000. From an ecosystem point of view, Finnish film was facing a stage where a new player had emerged in the global market, dramatically changing the value co-production in the national ecosystem. A stage where it had to change – or die.

In the year 2015 the market share was 29% and total amount of admissions for domestic movies was more than 2 500 000. The reason for this dramatic change is still unclear for the industry professionals. This research takes a look into how the ecosystem for Finnish film evolved over the years. An interesting question is: What were the changes that took place in the industry, how did they shape the ecosystem and was there a key player in the ecosystem – leading the change? The fact is that Finland has risen from having one of the lowest market share for domestic movie admissions to one of the top countries in Europe in terms of market share for domestic movie admissions. From this perspective, it's clear that Finnish film has in some way moved into the right direction.

The Finnish Film Foundation is a key player in the industry. It is supervised by the Ministry of Culture and Education and receives its funding from Veikkaus Oy – a government owned betting company. The Foundation's mission is to support and promote the Finnish film industry by funding professional film production, and exhibition and distribution of films. To give some perspective, an average Finnish film gains approximately 40% of its production funds from the Foundation. For this reason, most Finnish films would never proceed into production without the monetary support from the

Foundation. Therefore, it is fair to argue that the Foundation is playing a focal role in the industry, orchestrating the production, and distribution and exhibition of Finnish film, and in this way – giving “CPR” to the entire ecosystem.

The admissions for domestic film can vary a lot annually due to the low volume of films produced annually, and the generally unpredictable nature of the global industry (see e.g. Einav, 2007). There is, however, a clear growing trend in domestic movie theatre admissions in Finland over the past 20 years. Domestic film has steadily gained more market share over foreign films in Finland over the years.

1.2. Research questions

The dominance of Wal-Mart and Microsoft in their representative industries has widely been acknowledged and praised in the academia and business world, but their performance is actually based on something much larger than their vision or strong competitive strategies – the success of their respective business ecosystems (Iansiti and Levien, 2004, pp.1). Moore (1993) defines a business ecosystem as a community of different actors that co-evolve around an innovation, being in a situation where they end up both competing and cooperating with each other simultaneously. In this respect, my research aims to explain the phenomenon of the growth in Finnish movie admissions through an ecosystem point of view, and explore the evolvement of the ecosystem and how it has been managed over the years. There are fruitful opportunities for research in this area as many changes have shaped the industry over the last two decades, there is a clear lack of academic research in the Finnish film industry, and a rich amount of data is publicly available of the industry. This research will shed light on how the Finnish Film Foundation has been acting as a focal company in the development of the ecosystem for Finnish Film. It researches how the ecosystem for Finnish film has evolved over the years, and how the Finnish Film Foundation has been affecting, or perhaps controlling and managing this evolvement. The research question therefore is:

How has the Finnish Film Foundation contributed to the evolvement of the ecosystem for Finnish film during years 1995-2015?

As a result, the research aims to provide clarity to what changes the ecosystem went through during years 1995 to 2015 and what role did the Finnish Film Foundation play in this development. The research will show whether the Finnish Film Foundation affected the development of the ecosystem and what activities shaped it. The findings and conclusions of this study can then be used as managerial guidelines for the key players in similar ecosystems to further develop them.

There have been several significant changes shaping the industry over the past 20 years: the digitalization of the film industry; the emergence of multiplex cinemas; the developed marketing technology; the increased role of international distribution companies in marketing of Finnish films; the increased production and distribution funds for Finnish movies; and changes in the dynamics of the most important stakeholders and their cooperation patterns within the industry. These changes partially represent how the ecosystem for Finnish Film has developed over the years, and this research will explore them in a more detailed level and provide answers to how the ecosystem has evolved and how this evolvement has been managed.

2. Theoretical background

The theoretical background section is divided in to three main sections. First, by reviewing existing literature in the ecosystem research, this paper sheds light on the concepts of business, knowledge and innovation ecosystems. By identifying the theoretical constructs of an ecosystem, the research then looks into how ecosystems are managed and how value is co-produced within them. Since this research focuses on understanding ecosystems in the film industry, the paper will then review existing film industry theory. Based on this knowledge, this research proposes a construct for the Finnish film ecosystem and a framework that is then used to analyse how the ecosystem for Finnish film has evolved over time, and how the Finnish Film Foundation contributed to the evolvement of the ecosystem for Finnish film.

2.1. Ecosystem theory

2.1.1 What are business ecosystems?

The ecosystem theory was first widely introduced to the business research academia by Moore in 1993. Moore's (1993) suggestion that business ecosystems are made up of companies co-evolving with each other around an innovation in order to create value is a broadly accepted definition of a business ecosystem in the academia. Moore (1993) investigates business ecosystems from a general ecosystem point of view, explaining how business ecosystems follow a similar structure to biological ecosystems, how they have similar identifiable ecosystem players and how they evolve in similar identifiable stages.

Valkokari (2015) also accepts this view, stating that ecosystems – in both biological and man-made context – are rarely optimal for all species or actors within them. This leads to competition and cooperation within the ecosystem – or as Moore (1996) in his book states; "coopetition" – which in time develops the ecosystem further and defines which species or players emerge in the ecosystem – or in contrary, which ones are removed from it (Valkokari 2015). Valkokari (2015) adds to this view however, stating that in man-made ecosystems, there is a level of intentional organization that is not found in biological ecosystems, which affects the members and their interaction patterns within the ecosystem.

Rong et al. (2013, pp.388) define business ecosystem as: "*an interdependent economic community including industrial players, governments, universities, and other relevant stakeholders, who co-evolve with each other to create and deliver value*". Hence, we can say that they see traditional key players in knowledge ecosystems such as universities and governments (see e.g. Clarysse 2014; Valkokari 2015), can also play an indirect role in business ecosystems.

Valkokari (2015) researches the differences and interdependencies of business-, innovation-, and knowledge ecosystems. Understanding how business-, innovation-, and knowledge ecosystems overlap with each other is key to this research since it gives us a better understanding what a business ecosystem actually entails. Valkokari (2015) provides a framework which helps us to understand how one ecosystem member can simultaneously play a different role in each ecosystem, since the concepts are somewhat overlapping while having different focuses. Clarysse et al (2014) however add to this view by stating that organizations that participate in knowledge ecosystems do not always simultaneously belong to a business ecosystem. Clarysse et al (2014) argue that it is rather the competition between ecosystems than individual actors in it, which then ultimately leads to innovations.

Iansiti and Levien (2004) argue, that in business ecosystems, there are a number of actors that specialize in a specific activity and as a result, the collective effort of all ecosystem members define the ultimate value created in the business ecosystem (Iansiti and Levien, 2004). No single actor can without the contribution of other business ecosystem members produce real value to end customers (Iansiti and Levien, 2004). This is a condition for being a member of an ecosystem. Secondly, in business ecosystems there is a need for a vital "keystone" player (Iansiti and Levien 2004), that nurtures the health of other members in the ecosystem and creates platforms in which other members can participate, or tools that other members can utilize.

Clarysse et al (2014) in their study list three factors that define how knowledge and business ecosystems differ from one another. Firstly, business ecosystems focus on creating value while knowledge ecosystems are focused in knowledge production (see e.g. Valkokari, 2015; Clarysse et al. 2014). Secondly, knowledge ecosystems are usually more tied to geographic boundaries while business ecosystems can better be seen and represented by the global value network in which they act (Clarysse et al. 2014). Thirdly, whereas knowledge ecosystems are usually centred around an actor that facilitates knowledge production – such as a University or a research institute – business ecosystems are more often led by large companies (Clarysse et al. 2014). However, as stated above, key players in knowledge ecosystems can play indirect roles in business ecosystems as well.

2.1.2. What are innovation and knowledge ecosystems?

Knowledge ecosystems focus on generating new knowledge and technologies (Valkokari, 2015), and actors such as entrepreneurs, research institutes and innovation institutes play key roles in these ecosystems. Their survival in the ecosystem is often dependent on their capability to produce new knowledge (Valkokari, 2015).

Clarysse et al (2014) investigate the connections between business and knowledge ecosystems. In their study, they use a database of 138 start-ups to study the knowledge ecosystem and business ecosystem surrounding them, and the financial support network. Clarysse et al (2014) propose that business ecosystems where the value proposition is co-created by mutually complementary organizations can then be referred to as larger value networks. It is not clear, if similar success factors apply to both knowledge and business ecosystems (Clarysse et al., 2014). Hence, also strongly suggesting that knowledge ecosystems and business ecosystems should be treated as separate concepts. Clarysse et al (2014) argue that there is a misconception in the academia which assumes that knowledge ecosystems would automatically develop into business ecosystems.

Clarysse et. al (2014) state that knowledge and business ecosystems are similar as they both have success factors related to having an anchor or keystone player, and a diversity of actors. The main differences between these two ecosystem types are that in knowledge ecosystems, the anchor organization is not directly competing within the ecosystem whereas in business ecosystems the keystone player most often is. Secondly, knowledge ecosystems can be seen as a more linear value chain of knowledge production where the value moves from upstream to downstream (Clarysse et. al 2014). In business ecosystems this value creation process is non-linear, as individual companies or actors in the ecosystem specialize in one area and complement each other (Clarysse et. al 2014).

Innovation ecosystems then focus on exploiting the knowledge that has been explored via knowledge ecosystems (Valkokari 2015). This knowledge is co-produced into value within innovation ecosystems. The value co-production process then again, is at the heart of the business ecosystem. Valkokari's (2015) framework provides a clear visualization of the interdependencies between different types of ecosystems.

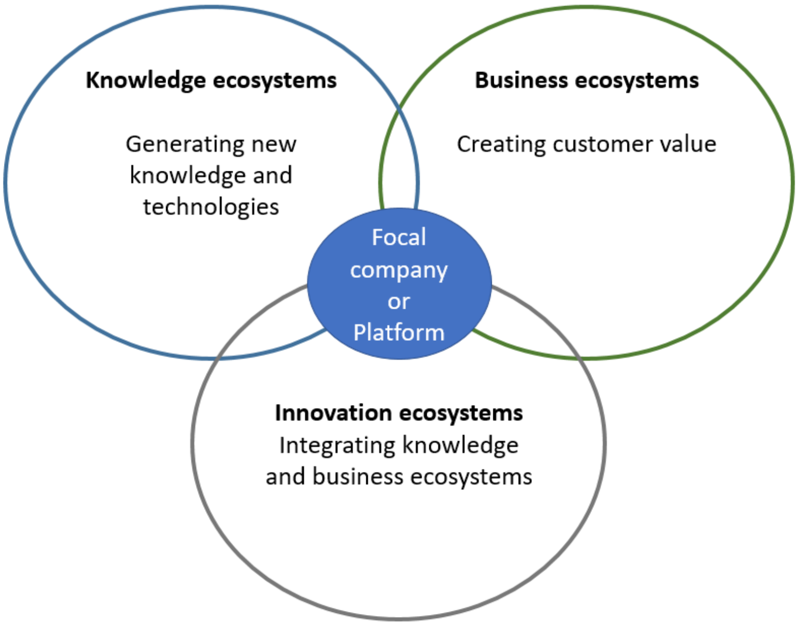

Figure 1. Valkokari (2015, pp. 20): Relationships between overlapping ecosystem types

To conclude this section, this research argues that ecosystems are networks of connected ecosystem players that co-evolve together around an innovation, by competing and cooperating simultaneously (Moore, 1993). They often entail a focal or central player that is crucial to the ecosystem's overall health (Iansiti and Levien, 2004). This definition applies to both biological and man-made ecosystems (see e.g. Moore, 1993; Valkokari, 2015). Secondly, business, knowledge and innovation ecosystems are overlapping concepts and their boundaries are difficult to accurately address (Valkokari, 2015). They help us to understand the multi-dimensionality of specific ecosystems. These types of ecosystems do not really exist in a vacuum, but co-evolve with other overlapping ecosystems.

2.2. Managing and producing value in evolving ecosystems

Managing business ecosystems has been researched in the academia already in the 1990s (see e.g. Moore 1993; Moore 1996), but the early research often lacks a strong theoretical foundation upon which ecosystems are built. Browning et al (1995) for example analyse how SEMATECH – a consortium of semiconductor companies in the United States which was founded to recover market share from Japanese companies – affected the cooperation within semiconductor industry in the United States, but the theory of ecosystem is hardly visited in their analysis. They refer to SEMATECH rather as a “cooperative community” than a focal organization in an ecosystem.

It is fair to argue that the concept of ecosystem has been quite widely researched in the academia over the past decades, but only lately after the emergence of technologies such as Internet of Things and Cloud Computing, have we truly woken up to the importance of understanding ecosystems to better produce value and innovate (see e.g. Rong et al. 2015; Adner and Kapoor 2010) and leading an ecosystem from a focal organization’s point of view (see e.g. Williamson and De Meyer 2012; Iansiti and Levien 2004). Ecosystem research is currently a hot topic in the academia, and new research in ecosystems emerges all the time. This chapter will review the current literature in ecosystem management, development and value production, and provide this research tools to better understand how the ecosystem of Finnish film has been managed over the years.

2.2.1. Ecosystem development

James Moore is considered a pioneer in the business ecosystem theory. Moore (1993) introduced the idea of business ecosystems which consist of various companies coevolving the capabilities of the ecosystem and working together both cooperatively and competitively in order to produce value. Moore (1993) states that these business ecosystems evolve in four identifiable stages, similar to those that can be identified in biological ecosystems, moving from a randomized setting to a more structured one over time (Moore, 1993). These stages do, however, blur and overlap with each other in reality (Moore, 1993).

The first stage of business ecosystem evolvement is *birth.* In this stage, the ecosystem players are focusing on customer needs and how these can be filled with a product or a service. It is often beneficial to cooperate during this stage, and leaders of the ecosystem focus on attracting other members into it. In stage two – *the expansion* – some rivalry starts to emerge from within the ecosystem and outside of it, as the ecosystems expands rapidly. Two conditions are necessary for ecosystems to reach this stage: a business concept that enough customers will follow, and the potential for scaling the concept. (Moore, 1993)

If the ecosystem has strong enough growth and profitability and the value creation processes become stable enough, the ecosystem will reach stage three – *leadership.* This stage depends on continuous innovation that creates value to the ecosystem, and the role of a *central ecological contributor* becomes fundamental. Central ecological contributors are players in the ecosystem that are crucial to the survival of others, which gives them bargaining power over other members in the ecosystem. They maintain their role as other members invest in their existence. In this stage business ecosystems can be considered as mature, but when new ecosystems and innovations emerge or new significant environmental conditions occur, the ecosystems face a choice between self-renewal or death. Often, new environmental conditions encourage new innovations and ecosystems to emerge and in this way these two factors tend to encourage each other. (Moore, 1993)

In self-renewal stage, the ecosystem is fighting for its survival and going through fundamental changes. Bringing new innovations and ideas to the ecosystem, its products or its services is crucial for its survival. The ecosystem should be able to build barriers to entry, so that other rivalling ecosystems won't be able to capture the value from it. (Moore, 1993)

Now that we understand how ecosystems evolve over time, we can move in to value production in ecosystems. The next section will look into how value is co-produced in ecosystems.

2.2.2. Value production in business ecosystems

Adner and Kapoor (2010) take Moore's (1993) theory further, arguing that the success of an innovating company can't completely be explained without the effect of the operating environment of the focal company and especially the dynamics of their relationships. They take a deeper look into ecosystem dynamics from the innovation point of view. Adner and Kapoor (2010) suggest that in addition to the focal company, there are upstream innovators and downstream innovators, and complementors and components within the operating environment. These all together contribute to the innovations that the focal company produces (Adner and Kapoor, 2010). In order for the focal company to fully produce and provide the value with their own innovation, the partners in the ecosystem must solve their innovation challenges as well (Adner and Kapoor, 2010). When a partner in an innovation ecosystem solves an innovation challenge, the entire network benefits. Adner and Kapoor (2010) refer to this system as an innovation ecosystem, where innovations are co-produced in a dynamic setting of connected actors in a network.

Rong et al (2015) investigate the Internet of Things business ecosystem and make a clear distinction between co-evolving ecosystems and traditional supply chains in their research. They propose a 6C framework, which is an extended version of the previous 3C framework by Lin et al (2009) for understanding business ecosystems. Even though the research is tailored to analyse the Internet of Things business ecosystem, the framework can be utilized to interpret business ecosystems in various industries (Rong et al. 2015). According to Rong et al (2015), an emergence of a new technology requires a healthy functioning ecosystem to provide the value that comes with the new technology to the end customers. Rong et al (2013) then again argue that as an ecosystem develops over time, it produces multiple new value chains which together reform the industrial system to produce better value in the more mature stages of the ecosystem.

Rong et al (2015) divide ecosystem research into three categories: the constructive elements, the configuration of a business ecosystem and the overall operation of a business ecosystem. The three categories are naturally overlapping to an extent, but provide a good lens for structuralizing a business ecosystem. Constructive elements refer to the roles each actor plays in an ecosystem (Rong et al. 2015) – in other words – the reasoning why they are crucial parts of an ecosystem and how they contribute to it. Configuration then again refers to the integrated arrangement of these business ecosystem actors and focuses on investigating how they are connected (Rong et al. 2015). The operation of a business ecosystem refers to the lifecycle and development of the business ecosystem, how it co-evolves over time and how new patterns emerge. (Rong et al 2015)

Rong et al's (2015) full 6 C framework is built on the concepts of context, configuration, cooperation, capability and change. Context includes the wide context around a business ecosystem and factors affecting from outside of the ecosystem such as legislation and governmental associations (Rong et al. 2015). Construct refers to the infrastructure of the ecosystem in more detail, revealing how the key players form the basis of an ecosystem (Rong et al. 2015). Configuration then again reveals the individual relationships between actors within the network and how the interdependency is built between them (Rong et al. 2015) – in other words – revealing the patterns between key stakeholders in a business network. It is, more or less, an overlapping concept with cooperation. Cooperation focuses more on investigating these relationships and revealing how the relationships help the ecosystem to achieve strategic objectives (Rong et al. 2015). The capability concept refers to the investigation of key features which makes the ecosystem successful in value production in terms of value chain logistics, production and design (Rong et al. 2015).

Cooperation focuses on analysing how different actors interact with each other within the ecosystem, revealing the methods that shape the cooperation (Rong et al. 2015). Emphasis is put on the fact that the companies cooperating within an ecosystem no longer have simple customer-supplier roles but rather share a common goal and a common fate (Rong et al. 2015). Change then again is highly related research perspective to configuration, as it analyses how configuration patterns change over time in an ecosystem (Rong et al, 2015). Change represents an end to one lifecycle and the beginning of another one within an ecosystem, as the configuration pattern changes radically or shifts to a completely new one (Rong et al. 2015), and is fundamentally based on Moore's (1993) views on business ecosystem evolvement theory. These six characteristics of a business ecosystem together form a framework and understanding that helps to analyse the most important dimensions in a business ecosystem. It provides a systematic approach for investigating a business ecosystem in a more comprehensive way. According to Rong et al (2015), this framework can also be clustered into three groups: context and cooperation being the first group focusing on the process perspective, construct, configuration and capability forming the second group that helps researchers to grasp a more static view of the ecosystem, and the third group consisting of change, describing how patterns evolve with the ecosystem.

The focal company can only create value if the ecosystem works seamlessly (see e.g. Rong et al. 2015; Adner and Kapoor 2010), meaning that the other actors in the ecosystem have resolved their innovation challenges and work efficiently together. The next section will provide more insight into the cooperation and competition within ecosystems, and how ecosystems can be managed over time.

2.2.3. Managing ecosystems

Adner (2006) points out that managing ecosystems requires strategy, and this strategy is iterative and develops over time. According to Williamson and De Meyer (2012), an effective strategy for the focal or lead company to manage an ecosystem is to use its *smart power*. They argue that this power does not always necessarily come from being the company with the deepest pockets, but by rather having a strategic approach to developing the ecosystem. Moore (1993) on the other hand refers to these companies as *central ecological contributors* – companies that are crucial to other members' existence. Moore (1993) argues that these companies have the ecosystem in a chokehold as other members can't survive without them. In a context – such as the Finnish film industry – the Foundation is in a similar role but rather giving "CPR" to the ecosystem than having it in a chokehold. This research will refer to these central actors within an ecosystem as focal organizations.

Williamson and De Meyer (2012) research how a focal company can harness the value from an ecosystem over time. They present six keys to unleashing this value in ecosystem for the benefit of the focal company. While Adner and Kapoor (2010) pinpoint the value co-creation process in an ecosystem, Williamson and De Meyer (2012) argue that the value creation can be managed and harnessed by a lead company. According to Williamson and De Meyer (2012, pp. 24), the six keys to unlocking the value in ecosystems are: "*pinpointing where value is created; defining an architecture of differentiated partner roles; stimulating complementary partner investments; reducing transaction costs; facilitating joint learning across the network; and engineering effective ways to capture profit*".

Business ecosystem theory in the academia focuses a lot on the value creation within an ecosystem, how ecosystems evolve over time and how a focal company can lead the development of an ecosystem. The challenge is that all this literature focuses on ultimately giving managerial implications on how to gain competitive advantage over other actors in the ecosystem. In this Master's thesis research, the focal company's ultimate goal is not about gaining competitive advantage however, but rather making the industry bloom – a similar situation to the American semiconductor industry in which SEMATECH was improving the industry cooperation to recover market share from Japanese companies (Browning et al 1995).

Rong et al (2013) investigate the nurturing of a business ecosystem for developing emerging industries. They propose two kind of strategies that help companies to deal with uncertainties that take place in emerging business ecosystems: the core firm platform strategy and niche-firm supplementary strategy (Rong et al. 2013). In order to better understand how these strategies work, Rong et al (2013) divide four main types of different ecosystem players: The keystones, the dominators, the hub landlords and the niche players. According to Rong et al (2013), the keystone player is an actor which sets up a platform upon which niche players can build value. The concept of a keystone company in an ecosystem was first introduced to the academia by Iansiti and Levien (2004), and they argue that keystone players take care of the health of other members in the ecosystem, by simplifying complex tasks and connecting network partners with each other. The act of keystone players building this platform upon which niche players create value is referred to as platform strategy, and niche players taking part in value creation on this platform, bringing in variety and creativity, is then again referred to as niche-firm supplementary strategy (Rong et al 2013).

The niche players then build value on these platforms by specializing in some activity. The dominators role in a business ecosystem is to integrate the ecosystem players both vertically and horizontally, and in this way they manage the business ecosystems. The hub landlord then again is a player who maximizes the value for itself from the ecosystem, without directly controlling it. (Rong et al 2013)

Rong et al (2013) propose that companies in an ecosystem together follow a three step process as a result of using the platform and integration strategies. These steps are adjustment, adoption and convergence, and as a result this process helps to nurture the emerging industry as it moves towards technology convergence (Rong et al. 2013). They found in their case study, that first the companies in emerging industries began to adjust their strategies. After this, when players in business ecosystems imitated strategies from other ecosystems, it resulted in increased convergence between the ecosystems. They refer to this process as adoption. Convergence then again is the phase in which the ecosystems come together, and this could lead to the emergence of new industries and ecosystems. (Rong et al 2013)

When researching into how value is produced in ecosystems, an important element to consider is the challenges the ecosystems face in doing so. Adner and Kapoor (2010) divide the innovation challenges in an ecosystem into two main components: upstream component challenges and downstream complement challenges. Component challenges refer to challenges in for example the supply or production of a product or service, whereas complement challenges then again refer to challenges in the ability to deliver this product or a service to customer in a way that creates value (Adner and Kapoor, 2010). Adner (2014) explains, that complementors can have two-sided relationships, where they can be complementors to each other, such as the relationship between software companies and hardware companies.

The framework by Adner and Kapoor (2010) helps to understand the challenges that took place in the Finnish film ecosystem in past 20 years and analyse how they were addressed. The ecosystem for Finnish film can be considered also as an innovation ecosystem, with films being the innovations. The construct would be a bit more complex than what Adner and Kapoor (2010) suggest since the government is so heavily involved in the ecosystem, but mostly Adner and Kapoor's (2010) principles can be used to explain the evolvement of the ecosystem for Finnish film. When analysing how an ecosystem has evolved over the past 20 years, this framework becomes valuable and helps us to simplify what challenges took place in the industry, and how they have been solved.

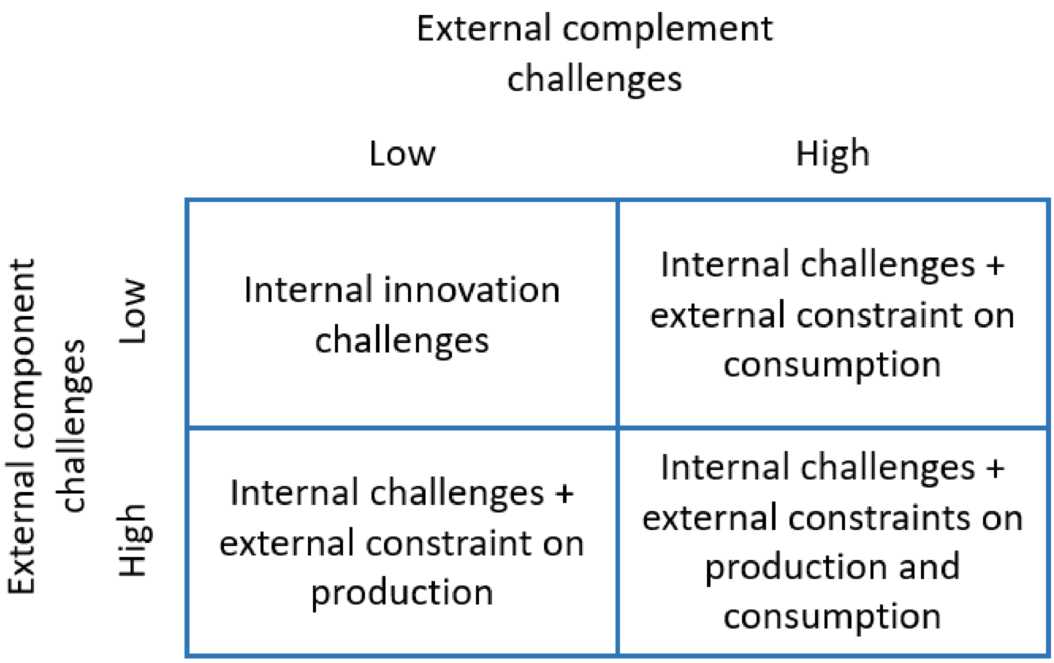

Figure 2. Adner and Kapoor (2010, pp. 310): A framework for understanding the effect of ecosystem challenges on innovators

Adner and Kapoor's (2010) framework helps us to investigate and reveal the main patterns in which the ecosystem was developed for Finnish film. The matrix shows how an ecosystem moves from high innovation challenges towards low innovation challenges. It suggests, that there can be four different situations where an ecosystem lies in terms of component and complement challenges. If an ecosystem is positioned in the lower right corner in the matrix – where external complement- and component challenges are high – it can either move to left or up when ecosystem innovation challenges are addressed. In other words, if an ecosystem like this addressed the component challenges successfully, they would move in to a position where they mainly face internal innovation challenges and external constraints on consumption. They would then next have to focus on addressing the external complement challenges in order to reach a state where the innovation challenges are low in the ecosystem and innovations are effectively commercialized.

When addressing challenges in ecosystems, relationships between ecosystem members are key. The next section will provide more insight into how complementor relationships work in ecosystems, and how they can be managed over time.

2.2.4. Complementor relationships

Many academics lately have studied the relationships between complementors in business ecosystems (see e.g. Kapoor 2014; Yoffie and Kwak 2006). Kapoor's (2014) study reveals that these relationships are characterized by information sharing and joint action between complementors. While many companies analyse their suppliers and competitors, only few companies today have invested heavily in the analysis of their complementors (Yoffie and Kwak, 2006). As discussed above, complementor relationships are crucial in value creation within ecosystems (Adner and Kapoor 2010), and Kapoor (2014) extends this theory by revealing how these relationships influence the patterns of interaction and where these interactions take place. Kapoor (2014) reveals different ways in which companies cooperate with their complementors in the semiconductor industry and the benefits of this cooperation. The most important benefit of complementor relationships according to the study by Kapoor (2014) was the increased product performance, while the relationships were seen to be least beneficial for gaining customers in new market segments.

Kapoor and Lee (2013) investigate the complementor relationships in an ecosystem from an organizational form point of view. They look in to different organizational forms that companies can choose to develop their complementor relationships. They divide three main types of complementor relationships; The arm's-length relationship, collaborative alliances and hierarchical relationships (Kapoor and Lee, 2013). They explain that by choosing an organizational form, a company can affect and manage these complementor relationships when introducing a new technology in an ecosystem. As stated by Adner and Kapoor (2010), introducing a new technology often requires other ecosystem partners to make adaptations in order for the technology to co-produce value in the ecosystem. The main argument of Kapoor and Lee's (2013) research is in line with this statement, stating that a firm's ability to create value with a new technology in an ecosystem depends on the changes that take place in complementors in the ecosystem, as they might need to take on investments that support this new technology in order for the technology to be successfully commercialized and the value to be actualized. Kapoor and Lee (2013) contribute to this stream of research by investigating the effect of organizational form choices on the likelihood of a firm's decision to invest in new technology.

Kapoor and Lee (2013) study three different complementor relationship types that take place in the US healthcare industry, and find out that firms that have an *alliance relationship* with their complementors are more likely to invest in new technology than firms with an *arm's-length* relationship with complementors. Secondly, firms with an alliance relationship with their complementors are also more likely to invest in new technology than those with an *integrated relationship* with a complementor (Kapoor and Lee, 2013). Additionally, they find that the broader the scope of an alliance relationship with complementors, the greater the likelihood is that firms will end up investing in a new technology (Kapoor and Lee 2013). This gives us an indication that alliance type relationships can be an effective strategy to manage complementor relationships in an ecosystem, when new technology investments are important or crucial to the ecosystem development.

Kapoor (2014) also studied where these complementor relationships take place within the organizations. The study reveals, that when an organization has a dedicated unit for managing the complementor relationships, the management of relationships is likely to be more effective. An important note is however, that this was researched in complementor relationships which entailed cooperation across R&D functions and marketing functions. In these cases, the access to information, coordination of tasks across different functions and ensuring that the complementor relationships drive a common goal tend to be handled more effectively (Kapoor 2014). The study also reveals that the opportunities for value creation for complementors and the threats of a complementor gaining superior value to others – also referred to as the "hold-up problem" (Yoffie and Kwak, 2006) – may shape the cooperation patterns within the ecosystem.

2.2.5. Soft power, hard power and smart power

"*The dictionary tells us that power means an ability to do things and control others, to get others to do what they otherwise would not*" (Nye, 1990, pp.154).

Nye (1990) discusses the meaning of power in foreign policy in the post-cold war era. He states that power comes from the ability to change the behaviour of states, rather than just simply having superior resources (Nye 1990). He explains the difference between hard- and soft power by stating that soft power is about making others want what you want, while hard power refers more to forcing or ordering others to do what you want (Nye, 1990). It is therefore fair to argue that soft power relates more to persuasion and hard power builds more on the use of tangible strengths, such as resources. While foreign policy as a concept is quite far off from the film ecosystem, the concept of power becomes useful in this research, and Nye is seen as a pioneer of the concepts of soft- and hard power in the academia.

Power most definitely plays an important role in any ecosystem, and becomes even more crucial as a concept when analysing an ecosystem from a focal organization's point of view. Yoffie and Kwak (2006) take a perspective to business ecosystems where managing complementors via smart power is the key to success. They argue that the quality of complementor relationships determines the success of an ecosystem and the focal company in it. According to Yoffie and Kwak (2006), many companies fail to invest heavily in their complementors in order to analyse them, understand them – and ultimately – manage them to better utilize or expand common market interests.

Yoffie and Kwak (2006) state that managing complementor relationships can cause tensions in the ecosystem. Actors will eventually come across the question of who will harness the most value from the ecosystem (Yoffie and Kwak, 2006). This view is supported by many other academics as well (see e.g. Iansiti and Levien, 2004). Yoffie and Kwak (2006) provide guidelines on how to avoid these *dark sides of complementor relationships* (Mantovani and Ruiz-Aliseda, 2016) to further develop the ecosystem and co-create value. This is where the concepts of *soft power*, *hard power* and *smart power* (Nye, 1990; Nye 2009; Yoffie and Kwak, 2006) become useful.

Hard power refers to managing complementors with capabilities related to strength and resources. A focal company can for example use their market share or brand equity to force its complementors to work in a desired way. While hard power can be an effective way to manage complementors in a business ecosystem, a notable disadvantage in using hard power is, however, the effect it can have on trust in the relationships. It can therefore turn out to be an undesirable strategy to rely completely on hard power when developing business ecosystems in long-term as trust plays an important role in ecosystems. (Yoffie and Kwak, 2006)

Yoffie and Kwak (2006) further explain that in business ecosystems, soft power builds from capabilities to convince others, to shape what they want. This might mean providing market intelligence and information about future plans, and take the form of a supporting institution that serve an industry (Yoffie and Kwak, 2006) – or an ecosystem. They state that soft power might emerge from establishing common strategic goals in cooperation with other actors to shape and further develop the industry via new technologies or jointly established standards (Yoffie and Kwak, 2006).

The concept of smart power then builds on the concepts of soft power and hard power. Smart power is all about balancing these two contradicting strategies in order to effectively guide and control others. Yoffie and Kwak (2006) state that three key factors play significant roles in determining which strategy to use: "*A company's capacity to exercise hard power, the importance of having a large variety of complements and the severity of the holdup problem"* (Yoffie and Kwak, 2006, pp. 97). A company's capacity to use hard power builds strongly from the amount of resources available, but there can be other means to practice hard power as well (Yoffie and Kwak, 2006). The importance of having a large variety of complements depends on the industry and the holdup problem refers to a situation where one complementor gains a position where they can extract significantly more value than other actors in the ecosystem (Yoffie and Kwak, 2006).

To conclude this section of the literature review, this research argues that ecosystems evolve over time, and this evolvement can be divided in four identifiable stages: Birth, expansion, leadership and self-renewal (Moore, 1993). In reality, however, these stages overlap and blur (Moore, 1993). Value in these ecosystems is co-produced, as the ecosystem players compete and cooperate simultaneously with each other (see e.g. Moore 1993). This value creation is a result of an iterative process within the ecosystem. At times, innovation challenges can arise in ecosystems, and addressing the challenges can improve the ecosystem's efficiency (Adner and Kapoor, 2010). Furthermore, ecosystem evolvement can be managed by a focal organization, and complementor relationships are at the core of this management (see e.g. Yoffie and Kwak, 2006; Iansiti and Levien, 2004). Then again, when managing an ecosystem, power becomes a key concept and it can be strategically used to manage complementor relationships in an ecosystem (Yoffie and Kwak, 2006). To better understand how power should be utilized in management of an ecosystem, it is important to understand the concept of smart power. It is the art of balancing soft- and hard power strategies (Nye, 2009) and it can be used in ecosystem development by deeply understanding the complementors, and the pros and cons of each power strategy in a given situation (Yoffie and Kwak, 2006). This strategy can be effective in managing ecosystems with power.

2.3. Film industry theory

"*the film industry practitioners rely heavily on tradition, conventional wisdom, and simple rules of thumb, which often have not been –but should be – closely examined" E*liashberg et al. (2006, p. 638).

Eliashberg et al. (2006) investigate the motion film industry in United States and provide insights and basis for conducting marketing research in this field. According to Eliashberg et al. (2006) the motion picture value chain includes three main activities: Production, theatrical distribution and exhibition. The competitive landscape includes major studios, independent production companies, independent distributors, major exhibition chains and smaller regional exhibitors (Eliashberg et al. 2006).

Eliashberg et al (2006) analyse the industry from a value chain point of view, pinpointing a strong business focus but lacking in the ecosystem theory in their analysis. According to Valkokari (2015) however, this is one of the challenges in existing ecosystem literature, as many ecosystems are approached from a linear perspective where the focus is on input and output, when actually ecosystems are more complicated in nature and relationships are not only linear, but rather multi-dimensional. However, recognizing the key players and value creating activities in an industry is a key starting point when mapping the ecosystem for Finnish film.

The industry is globally dominated by major film studios that have integrated production and distribution functions (Einav, 2007). After the production of a film, the distributor makes a distribution strategy for the film that includes a marketing campaign and defines how it will be exhibited for audiences (Einav 2007; De Vany and Walls, 1997). According to Einav (2007) this strategy will include a release date and a release strategy. Timing of the release is usually challenging as finishing the production and preparing film copies in time for the release is highly uncertain (De Vany and Walls, 1997). There are three main release strategies: wide release, platform release and limited release (Einav, 2007). Wide releases are commonly used by major studios, and in these strategies the film is screened in a large number of theatres and accompanied with a strong advertising campaign (Einav, 2007). In platform release, the film is initially released in a smaller number of theatres in big cities, and is usually heavily reliant on word-of-mouth and marketing on newspapers (Einav, 2007). In limited releases, the film is usually released in a handful of theatres and there are no high expectations for a wider release or great audience potential (Einav, 2007). According to De Vany and Walls (1997), most distributors use an auction process for licensing the films to the theatres and use the data from box office reports to adjust the release pattern of a film. Exhibitors usually pay the distributors a weekly rental for the rights to screen the film, and each film must earn a certain level of box office returns to survive in the theatres and continue to be exhibited (De Vany and Walls, 1997), and revenues during the first week usually predict the success of an individual film well (Einav, 2007).

Film industry is unique in many ways, and for this reason, it is important for this research to look deeper than the core players and the dynamics of the value chain when mapping and analysing the ecosystem. The film industry is highly focused on individual projects (Lampel and Shamsie, 2003), and the success of a single film is usually – if not always – highly unpredictable (see e.g. De Vany and Walls, 1997; Eliashberg and Shugan, 1997; Einav, 2007). Some existing literature suggest that box office performance is affected by film ratings and critics (see e.g. Basuroy et al. 2003; Eliashberg and Shugan, 1997), but these serve as poor indicators when trying to accurately predict a film's success prior to its release. Basuroy et al. (2003) found that in the US market, box office revenue is correlated with both negative and positive critics over an eight-week period, whereas Eliashberg and Shugan (1997) argue that the critics influence the box office, but they are uncorrelated with early box office results. Both researches suggest that movie critics can both influence and predict the box office revenue to an extent.

Basuroy et al. (2003) also examine the effect of popular movie stars and movie budgets as moderators of the critics' effect on box office revenue and find out, that when a movie has a big budget and popular stars in it, the effect of negative reviews diminishes. If the movie critics are mostly positive, this effect on box office revenue is smaller. In other words, big budgets and movie stars enhance the box office performance if the critics are mostly negative, and only slightly enhance the box office revenue if critics are mostly positive. In a way – they then act as buffers for negative critics. (Basuroy et al, 2003)

Liu et al. (2014) further investigate the effect movie stars have on box office revenue of a film. In more detail, they investigate the effect of a movie star to number of theatres allocated for a movie and its revenue during the opening week. As mentioned above, having a movie star can "save" a movie's box office performance and act as a "buffer", diminishing the effect negative critics have on box office performance (Basuroy et al. 2003), but Liu et al. (2014) separate what they call "star effects" in their analysis. According to Liu et al. (2014) movie stars can affect the movie in many ways: Demanding special effects, exotic filming locations or changes to the script which might not have been included in the film otherwise. In other words, they investigate this issue by comparing how a film would perform if a star was replaced by a "non-star". They suggest that the presence of a star does not directly explain the difference in revenues between star and non-star movies, but the effect on revenue is rather indirect (Liu et al, 2014). The presence of a star directly affects the number of screens allocated for a movie in the opening week, and the number of theatres then influence the box office revenue during opening week (Liu et al. 2014). Movie stars can also choose the suitable movie to appear in, in terms of the film's characteristics, and this way also influence the box office revenue (Liu et al. 2014).

It is fair to argue that predicting the success of a film prior to its release is virtually impossible, but some factors such as stars, critics and number of screens allocated can have an effect on a film's box office performance. As De Vany and Walls (1997, pp. 783) state: "*Because each film is unique and plays in its own way, its life as a commercial product in the theatrical market is hazardous*". In addition to this, the film industry is affected by seasonality that is dependent on consumer preferences, release dates of films and the contracts negotiated between distributors and exhibitors (Einav, 2007). An interesting question still remains: Are there some key factors that can help an entire national film industry thrive?

According to Einav (2007, pp. 144) *"bigger markets are likely to attract more and bigger movies. More or better movies lead to market expansion."* Fernandez-Blanco and Prieto-Rodriguez (2003) study the Spanish film industry and explain that the professionals in the Spanish film industry are sceptical about profits being the driving force in the industry. They study consumer preferences in the Spanish film market and offer strategies on how to develop a stronger Spanish film industry as the market is dominated by American films. It is a comparable situation to the Finnish film market since both markets have strong national language barriers and have traditionally been dominated by American film. Fernandez-Blanco and Prieto-Rodriguez (2003) suggest, that an alliance with American major studios to produce commercial films could be one way to nurture the industry. Alternatively, the production could be specialized in film genres that are less interesting to the mainstream (Fernandez-Blanco and Prieto-Rodriguez, 2003). Another alternative would be to only produce "culturally meritorious" films that would then be financed by tax money (Fernandez-Blanco and Prieto-Rodriguez, 2003). However, Fernandez-Blanco and Prieto-Rodriguez (2003) point out that when this kind of arrangement was popular in Spain in the 1980s, the industry reached its lowest market share for domestic film ever. Braet et al (2013) also study the Flanders film industry in Belgium, which has a small market that is enveloped by language barriers. Braet et al. (2013) mention that the government involvement is necessary in the Flanders market for the industry to thrive. I conclude from these studies, that smaller markets with strong national language barriers need public funding to thrive, but the funding itself is not the answer; how this funding is coordinated is really the key. Additionally, based on Fernandez-Blanco's and Prieto-Rodriguez's (2003) statements, I argue that in order to nurture a national film ecosystem, producing high audience potential films is more likely to result in higher market share for domestic film than focusing completely on arthouse or culturally meritorious films. The link between cinema admissions and a healthy national film ecosystem will then be discussed later in the paper.

From this section of the literature review, this research concludes that film industries have not been extensively researched from an ecosystem point of view. Some basic ecosystem characteristics can however be identified from existing business research in the film industry: Key players, their interdependencies and value co-production. These findings serve as cornerstones when constructing the ecosystem for Finnish film. The film ecosystem key players are generally made of producers who produce the films, distributors who negotiate deals with exhibitors and take over the marketing strategies of films, major studios that have integrated their distribution and production functions, and exhibitors who screen the films to consumers in cinemas. The film ecosystem is quite unique though, as the film industry is highly project based (Lampel and Shamsie, 2003), and films as products are unpredictable and live hazardous lives in the theatrical market (De Vany and Walls, 1997). The film ecosystem is often exceptionally vulnerable when it has a small market with strong cultural and language barriers (see e.g. Brat et al, 2013; Fernandez-Blanco and Prieto-Rodriguez, 2003). These specific types of film ecosystems often require public funding to survive, and this funding needs to be allocated in a way that develops the entire ecosystem further. As in other ecosystems, every member of the film ecosystem must be healthy in order for the ecosystem to thrive. We can also say that when building an economically strong national film industry, producing films for large audiences is key as the ecosystem feeds from the audience who consume the films.

3. Theoretical framework

This section builds a framework for the research. The framework is based on the literature review, which takes on knowledge from ecosystem theory, ecosystem evolvement theory, ecosystem management and value production theory and film industry theory. This section ties the key findings from this literature review and proposes a framework based on these conclusions, which is then used to interpret the historical narrative. These key findings are interpreted in this section, in order to construct a coherent framework for the research. The framework can be utilized in similar ecosystems across a variety of industries, where a focal organization is a non-profit organization whose intention is to rather to give CPR and nurture the ecosystem than capture profit from it or gain a chokehold over it. To my best knowledge, there is no existing theoretical framework for nurturing an ecosystem from a non-profit organization's point of view, with the ultimate goal of making the industry bloom rather than gaining competitive advantage over other actors in the ecosystem.

Definition of business-, innovation- and knowledge ecosystems

Business-, innovation- and knowledge ecosystems are to some extent overlapping concepts that should be treated separately, while acknowledging their overlapping features and interdependencies (Valkokari, 2015). Knowledge ecosystems focus on knowledge creation, innovation ecosystems then again use this knowledge to co-produce innovations while business ecosystems focus around the value co-production activities, with a focus on providing value to end consumers with products or services (Valkokari, 2015). This research investigates the Finnish film ecosystem mostly from a national business ecosystem point of view, while acknowledging its multi-dimensionality in terms of knowledge sharing and innovation challenges. Innovation ecosystem approach reveals how innovations – films in this case – are co-produced within the ecosystem, business ecosystem approach explains how the innovations are delivered to end consumers and reveals the interaction patterns between ecosystem key players. Innovation ecosystems in a way combine the value that is created separately in knowledge and business ecosystems. Knowledge ecosystem approach in this research helps to understand the underlying European and Nordic knowledge sharing that takes place in the film market and pumps efficiency in the film innovation ecosystem. Business ecosystem approach then helps us to understand how the value is actually co-created and delivered to end consumers within the national film industry.

Players in business ecosystems

Business ecosystems usually have a focal organization, a keystone player or a central ecological contributor, which has power or control over the other ecosystem players, responsibility over the ecosystems overall health and is in a central position to an ecosystem's value co-production (see e.g. Moore, 1993; Williamson and De Meyer, 2012; Iansiti and Levien, 2004; Yoffie and Kwak, 2006). In this paper, this player is generally referred to as a focal organization in an ecosystem. This research positions the Finnish Film Foundation as the focal organization in the ecosystem for Finnish film.

Other players that can be recognized from a business ecosystem are the niche players, dominators and hub landlords (Iansiti and Levien, 2004). Niche players bring value to the ecosystem via specialization in a niche activity that creates value (Iansiti and Levien, 2004). The dominators are players in a business ecosystem that integrate the other ecosystem players both vertically and horizontally – and in this way – they can also manage the business ecosystem (Iansit and Levien, 2004). The hub landlords are ecosystem players who focus on capturing value for themselves from the ecosystem without having a direct control over it (Iansiti and Levien, 2004; Yoffie and Kwak, 2006). Complementors are ecosystem players that complement each other in an ecosystem, share common goals – and meanwhile – can simultaneously be in a situation where they compete with each other (Yoffie and Kwak, 2006). Complementor relationships are always two-sided. The ecosystem for Finnish film includes players that have characteristics of all these above-mentioned roles and relationship types.

Ecosystem development

Ecosystems evolve in four distinct stages: Birth, expansion, leadership and self-renewal (Moore, 1993). Certain conditions must exist in order for an ecosystem to advance to a next stage of evolvement (Moore, 1993). Ecosystems co-evolve over time (Moore, 1993) as ecosystem players compete and cooperate simultaneously (Moore, 1996). The Finnish film ecosystem was facing a self-renewal stage in the 1990s as a new player – the VHS – had suddenly entered the ecosystem and had a major impact on the existing value chain as consumers gained an alternative way to consume films. Characteristics from other ecosystem stages can then be identified after the self-renewal stage has taken action. As Moore (1993) states, the stages blur in reality. This research tells the story of how the Finnish film ecosystem went through the self-renewal stage.

Ecosystem management

Specific ecosystem players can manage the evolvement of an ecosystem (See e.g. Yoffie and Kwak, 2006), and often the focal organizations have the best capabilities to do so (see e.g. Yoffie and Kwak, 2006; Iansiti and Levien, 2004; Williamson and De Meyer, 2012). There are six keys for a focal company to capture value from an ecosystem (Williamson and De Meyer, 2012, pp. 24). They are: "*pinpointing where value is created; defining an architecture of differentiated partner roles; stimulating complementary partner investments; reducing transaction costs; facilitating joint learning across the network and engineering effective ways to capture profit"* (Williamson and De Meyer 2012). This paper however, brings the analysis to a context where only capturing profit form the ecosystem is not an objective for the focal organization. The six keys become useful however, when analysing how the ecosystem has been managed and nurtured over the years.

The focal organization can use its smart power to control and manage the ecosystem (see e.g. Williamson and De Meyer, 2012; Yoffie and Kwak, 2006). Smart power is the art of balancing hard- and soft power (Nye, 1990; Nye 2009; Yoffie and Kwak, 2006). Hard power relates more to being able to give orders or force others to do what you want, while soft power relates to making others want what you want (Nye, 1990). Smart power is more specifically useful in ecosystems where an organization has an intention or a motive to control complementor relationships. Complementor relationship management can often rise tension in the ecosystem, as the parties eventually face a competitive situation over who will capture the most value from the relationships (Yoffie and Kwak, 2006), and this is especially true when a new technology is introduced to an ecosystem (see e.g. Adner 2006; Mantovani and Ruiz-Aliseda, 2016).

Focal companies can create value by addressing innovation challenges in innovation ecosystems (Adner and Kapoor 2010) to further develop the value production. This research sees that further developing the innovation value co-production capabilities by addressing innovation challenges can be considered as ecosystem development. In specific, focal organizations can do this by addressing either external component- or complement innovation challenges in the ecosystem (Adner and Kapoor, 2010). By successfully addressing these challenges, the ecosystem moves up or left in the innovation challenge matrix (Adner and Kapoor, 2010) and "removes" or decreases an innovation challenge area, hence making the ecosystem more effective. In addition, focal companies can take care of the health of other members in the ecosystem, by simplifying complex tasks and connecting network partners with each other (Iansiti and Levien, 2004).

Ecosystems in film industry

The key players in a film ecosystem generally consist of producers, distributors and exhibitors (see e.g. Eliashberg et al. 2006). In Finland, the public sector plays a crucial role in the ecosystem however, and this will be addressed in the analysis section. Major studios dominate the global film market, and generally have integrated production and distribution functions (see e.g. Einav, 2007). The film industry is highly project based (Lampel and Shamsie, 2003) and predicting the success of a single film before its release is almost impossible (see e.g. De Vany and Walls, 1997; Eliashberg and Shugan, 1997; Einav, 2007). Smaller national film markets are often dominated by American film (see e.g. Fernandez-Blanco and Prieto-Rodriguez, 2003) and in these markets the government is usually involved in supporting the industry (see e.g. Braet et al. 2013; Fernandez-Blanco and Prieto-Rodriguez, 2003). Focusing government support completely on the production of culturally meritorious films has at least not proven to be successful in Spain (Fernandez-Blanco and Prieto-Rodriguez, 2003), and this research assumes that the argument is valid to the Finnish film industry as well, as they both are small European markets with strong language borders – and are traditionally dominated by American productions.

4. Methodology

Huhtala et al (2014) in their research explain lessons they learnt about using systematic combining as a research method. They researched innovation diffusion in the Finnish advertising field, and state that: *"Uncovering of these findings would not have been possible without the use of systematic combining and the constant matching between theoretical and empirical domains"* (Huhtala et al. 2014, pp. 62). They recommend using a systematic combining approach when the intention is to reveal structures in the B2B world (Huhtala et. al 2014). This research focuses on revealing the Finnish film ecosystem and its evolvement and management over time. Therefore, systematic combining is a suitable approach – and used in this research.

The research methodology used in this paper is an interpretation of the systematic combining research method, first introduced to the academia by Dubois and Gadde (2002). Dubois and Gadde (2002) argue that the method is useful for development of new theories, as it is a process that combines theoretical framework, empirical fieldwork and case analysis. It is a process where all these three dimensions co-evolve simultaneously, and eventually create new theory based on the iterative research process. The extended case method (Burawoy, 1998) is essentially based on a similar approach.

Dubois and Gadde (2002) describe the systematic combining method as an iterative research process between the theoretical and empirical world, where they both give direction and redirection to each other. The ultimate goal is to effectively interpret reality through theory, and in the process – create new theory. The method and research focus usually evolve around a case study and vice versa. The question of which one serves as a starting point for the research does not concern the principle of systematic combining (Dubois and Gadde, 2002), as the key is iterative co-evolvement of knowledge and understanding.

Some existing literature criticizes case studies while others advocate for it. Yin (2014) as in Dubois and Gadde (2002) argue, that case studies can often lead to biased views in the findings and conclusions if a researcher is sloppy, while Eisenhardt (1989) argues that case studies possess a great likelihood for developing new theory. Eisenhardt (1989) further argues that the theory, which is built upon case studies, is likely to be valid as it is so closely tied with real evidence.

A common problem with building theory from case studies however often is, that the theory can easily become overly complex (Eisenhardt, 1989). Pentland (1999) gives us perspective on this issue when he uses the example of Brown's (1998) study where the researcher was forced to reconstruct his story from multiple different sources and ended up having multiple different narratives, thus a situation which was extremely difficult to analyse and interpret.

Pentland (1999) however, pinpoints the value of narratives when moving from stories to theories and explanations. Pentland (1999) argues that the explanation of a case lies in the narrative story and states that narratives, while being problematic in terms of subjectivity, can be an effective and the most valid way to explain certain phenomena. This research takes inspiration from Pentland's (1999) arguments and uses a narrative method to build a story that helps us to understand what happened in the Finnish film industry during years 1995 to 2015. To avoid a situation like the one Brown (1998) ended up in, as in Pentland (1999), the narrative is mostly built upon the perspective of the Finnish Film Foundation. By consciously avoiding bringing in rich stories and perspectives from other ecosystem key players, the research can keep a clear focus and make conclusions from this chosen perspective.

In this respect it's fair to argue that parsimony is at the core of this research process, as every iteration round in systematic combining inevitably includes some level of selectivity by the researcher, and is therefore subjective to some extent. The aim of the research is therefore not to completely explain the complex, multidimensional research phenomenon, but rather provide a perspective for the explanation and theory, which can then give further direction to future studies in the field. To conclude, the systematic combing method used in this research is a mixture and interplay of the theoretical realm, empirical realm and the process of moving from description towards explanation through this iterative process.

This study was originally designed to reveal which factors have led to the increased popularity of Finnish film over the past 20 years. It all started with a strong focus on the research phenomenon – the increased popularity of Finnish film over the past 20 years. In order to grasp a better understanding of the key events that took place in the past 20 years, a rich set of data was analysed and a historical narrative was developed based on that data. This data consisted of annual reports of the Finnish Film Foundation, annual objective plans of the Finnish Film Foundation, Strategic objective plans for Finnish film, admission statistics of foreign and domestic film, release dates of domestic films and all support funds granted by the Finnish Film Foundation. The historical narrative was after the first round complemented and factual errors were checked with member checking with industry professionals, who have been heavily involved with the research phenomenon over the past

20 years.

Member checks were conducted with: Harri Ahokas, the head of distribution of the Finnish Film Foundation and Jussi Mäkelä, former chairman of the board of the Finnish Film Foundation and current Executive Director of Walt Disney Company Nordic. As a key part of the research process, a theoretical framework was developed based on the literature review, in order to keep a strong focus in interpreting the reality from a certain perspective and developing new theory. The research started with the historical research which later gave inspiration to ecosystem theory as ecosystem themes emerged from the rich set of data.

After writing a historical narrative for better understanding what happened, the narrative revealed that the ecosystem had evolved significantly over the years. As mentioned above, member checking was used along the way to make sure there are no factual errors in the narrative and that the ecosystem approach is relevant. According to Creswell and Miller (2000, pp. 127), "*with member checking, the validity procedure shifts from the researcher to participants in the study".* Creswell and Miller (2000) further explain, that member checking is about giving the data and interpretations back to the participants in the study in order for them to confirm the credibility of the information – and in the case of this research – to make sure there are no factual errors in the historical narrative and if the events described make sense. The member checking in this research process also gave direction and redirection to the theory and the focus of the research in each iteration round.

After confirming the reliability of the historical narrative and the evolvement of the ecosystem as a key theme, the research then shifted to linking existing ecosystem theory on existing film industry theory. This theoretical framework – which explains how ecosystems evolve, how they are managed, and how ecosystems in film industry can be analysed – then served as a tool in the analysis and is new theoretical contribution to the academia. The analysis focuses on revealing the ecosystem structure, its evolvement, and its management with the help of the framework. As a result, it enabled the research to conclude how the Finnish Film Foundation contributed to this ecosystem evolvement and acted as a focal organization in the ecosystem over the years.

"We are convinced that learning in the research society as a whole would be improved if more of the processes of how we have learned were revealed to the reader" (Dubois and Gadde, 2002, pp. 560). The figure below therefore aims to clearly present a view of the systematic combining methodology used in this research and describe the iterative process of the research. The inspiration for this figure comes from the research conducted by Huhtala et al. (2014) as they use a similar visual presentation of their research process.

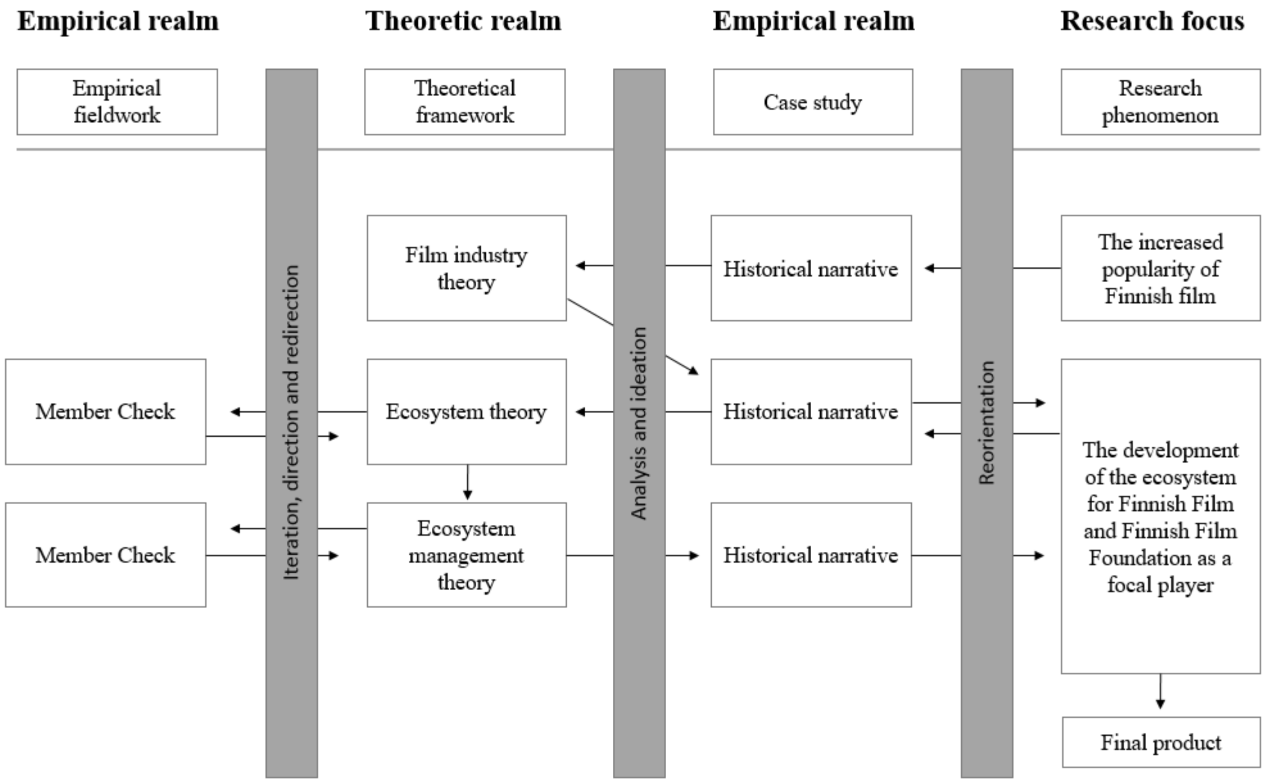

Figure 3. Visual presentation of the process of using systematic combining for conducting the research. Visualization based on Huhtala et al. (2014) visual description of systematic combining research process.

5. Historical narrative

According to Pentland (1999), a narrative can be a good way to gain insight about organizations, as it moves from observation to explanation. A narrative typically includes the following features: Sequence in time, focal actors or actor, identifiable narrative voice, "canonical" or evaluative frame of reference and other indicators of content and context (Pentland 1999). As stated above in the paper, this research uses a historical narrative for understanding what happened in the ecosystem for Finnish film and in the Finnish Film Foundation during years 1995 to 2015.

This chapter will summarize the key changes that took place in the Finnish film industry and the Finnish Film Foundation between years 1995 and 2015. The following interpretation is based on the annual reports of Finnish Film Foundation, annual objective plans of the Foundation, strategic objective plans for Finnish film which have been drafted in cooperation with the industry, admission statistics for Finnish films between years 1995-2015 and all the support funds allocated by the Foundation to Finnish film industry between years 1995-2015. Additionally, some data has emerged via member checking with industry experts who have been heavily involved in the ecosystem over the past decades.

5.1. Overview and background

The Finnish Film Foundation was founded in 1969 by the Ministry of Culture and Education, The Finnish Cinema Exhibitors' Association, The Finnish Film Distributors' Association and The Finnish Film Producers' Association, which later became a part of The Central Organisation of Finnish Film Producers. All of them today are a part of the Finnish Film Chamber, which is an umbrella association for Finnish film associations. It is important to understand, that the Foundation's board was for a long time dominated by leading industry professionals, so in this sense it was not isolated from the industry. This can have both negative and positive effects to the industry, as conflicts in interests may arise in decision making, but on the other hand industry expertise is a valuable asset in an organization which purpose is to serve the industry.

The original intention of Finnish Film Foundation was to support the production of domestic film with loans and grants. The initial logic was, that the Foundation would operate by collecting 4% of the box office sales. A turning point in their operations took place in 1977 when the Foundation started gaining public funding from governmental functions. Today, the Foundation's annual allowance is allocated by the Ministry of Culture and Education, and it is allocated completely from the profits of Veikkaus Oy. According to a memo by Irina Krohn – former CEO of the Foundation – to consumers the

Foundation is like an “invisible hand” that has tremendous power over what kind of films and audio-visual products proceed to production in Finland.

There have been many significant changes shaping the Finnish film ecosystem over the past decades: The digitalization of film, the emergence of multiplex cinemas, developed marketing technology and expertise, increased production and distribution funds for Finnish movies, a stronger and a more independent financial base for Finnish films and more developed interaction patterns between the ecosystem key players. This historical narrative aims to clarify and explain how these changes actually took place over the years.

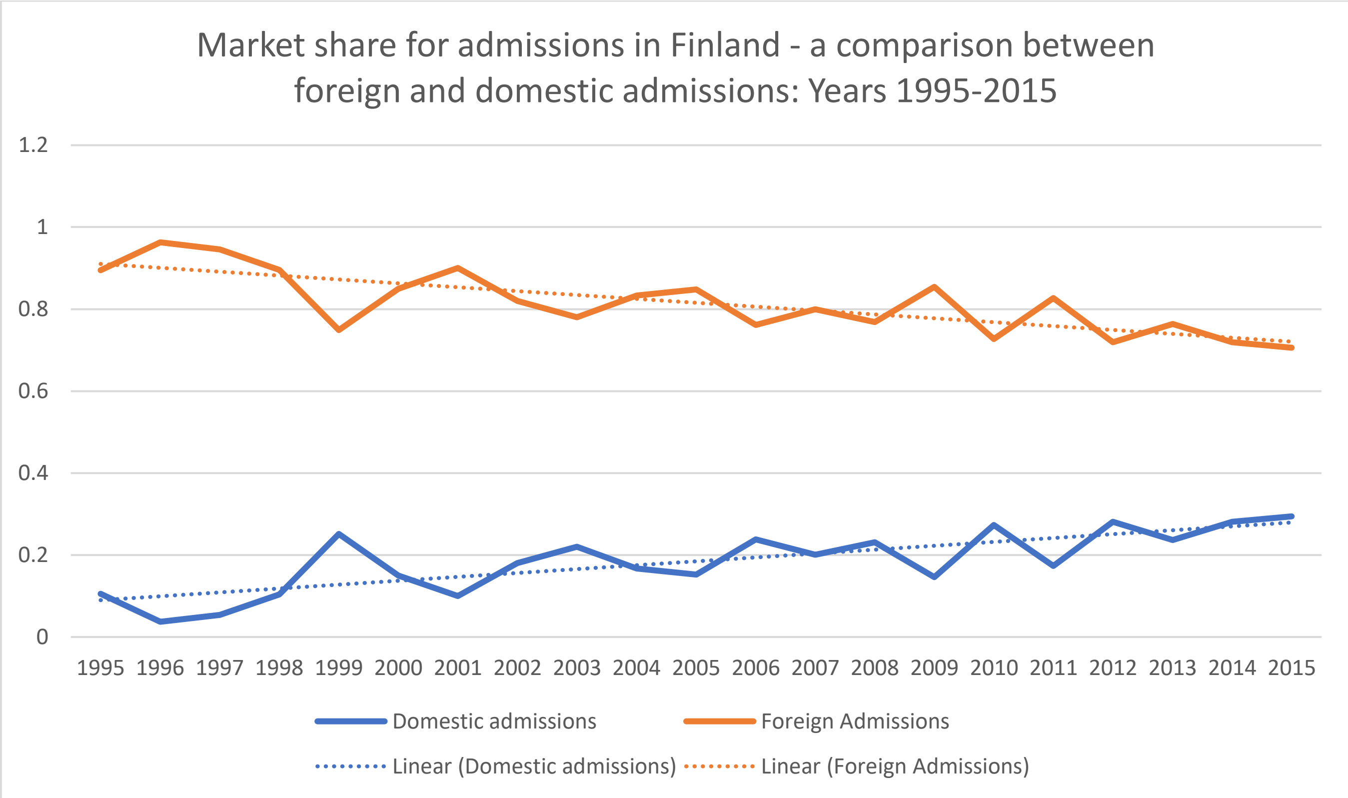

Figure 4. Annual market share in Finland in terms of film admissions: A comparison between domestic and foreign admissions between years 1995 and 2015.

The figure above shows us how the admissions for domestic film in Finland have steadily been increasing over the years. For this reason, it is clear that the ecosystem has went through some changes and it is therefore interesting to have a deeper look into what actually happened in the industry and in the Foundation during these years. The film industry is highly project based in its nature (see e.g. Lampel and Shamsie 2003), and the success of a single film is generally always very unpredictable (see e.g. Eliashberg and Shugan, 1997; Einav, 2007). This explains why there is a lot of variation annually, especially when considering the unpredictable nature of the industry. We can however, when analysing the numerical data from years 1995 and 2015, recognize some patterns and key events that took place. The data shows us that Finnish film has rather steadily – taking into account the unpredictability of the industry and the volume of domestic films released annually – over the years grown its market share quite significantly over foreign film.

When looking into the cinema admission figures, we can identify the same trends. The figure below shows us how domestic film has become more popular over foreign film, while total admissions have grown a little during years 1995 and 2015. The figure also portrays the struggle that Finnish film faced in the 1990s, as admissions compared to foreign film in Finland were almost non-existent.

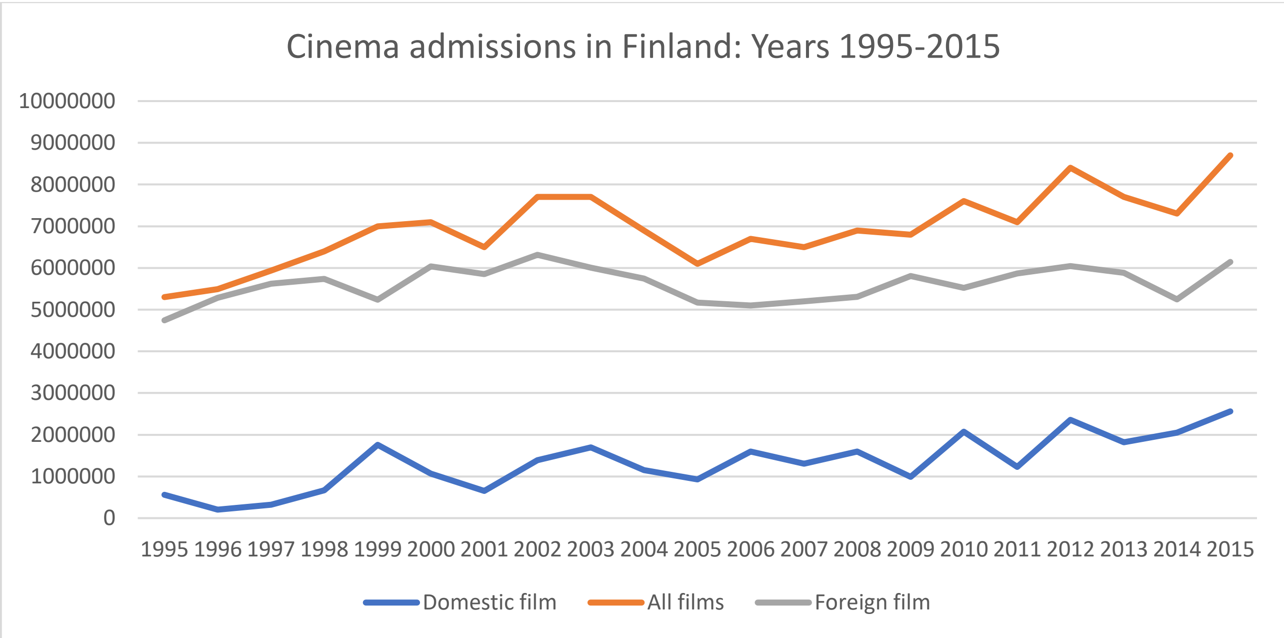

Figure 5. Cinema admissions during years 1995-2015: A comparison between domestic and foreign films

The amount of annual domestic feature films releases has also increased during years 1995 and 2015. In year 1995, seven domestic feature films were released. The amount has since then tripled, as 21 domestic feature films were released in 2015. The change during the past 20 years in this respect is therefore dramatic, hence further suggesting that the ecosystem has evolved. It further pinpoints the importance of this research. The figure below shows the amount of domestic feature film releases annually during years 1995 and 2015.

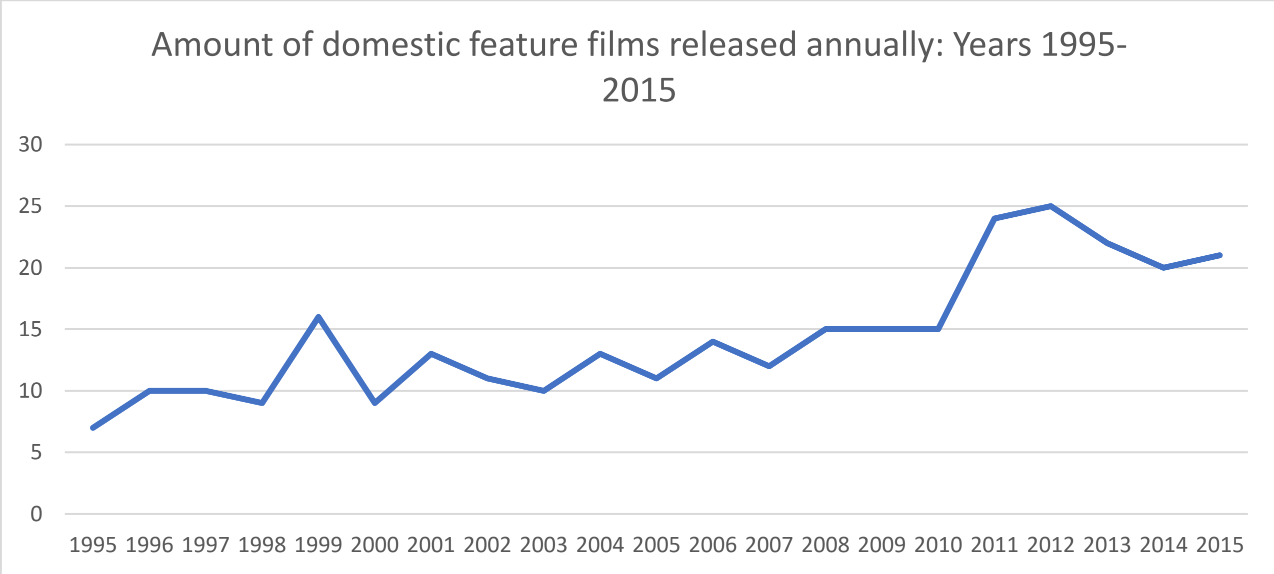

Figure 6. Domestic feature film releases during years 1995-2015.

Another interesting figure to look at, is the total amount of support funds granted by the Finnish Film Foundation between years 1995 and 2015. Annually, the Foundation has been allocating approximately 80% of the available support funds to professional film production over the years. The amount of production support allocated by the Foundation on average contributes to approximately 40% of all the production funds in the national ecosystem. Other support categories include marketing and distribution support, development support, scriptwriting support, post-support, film festival support, and digitalization and renewal of film theatres – to name a few.

From the figure below, we can see that there is a radical growth in the total amount of support funds that were available in the Foundation over the years. This is also an indication that something had turned for better within the ecosystem, as public funds started to really flow in to the Foundation and therefore to the industry. It is also rather safe to assume, that when there is more funding available for Finnish film, the conditions for producing more and higher quality films are better. Also, as later stated in the narrative, when the public support was "correctly" allocated over the years, more alternate private funding began to emerge in the ecosystem.

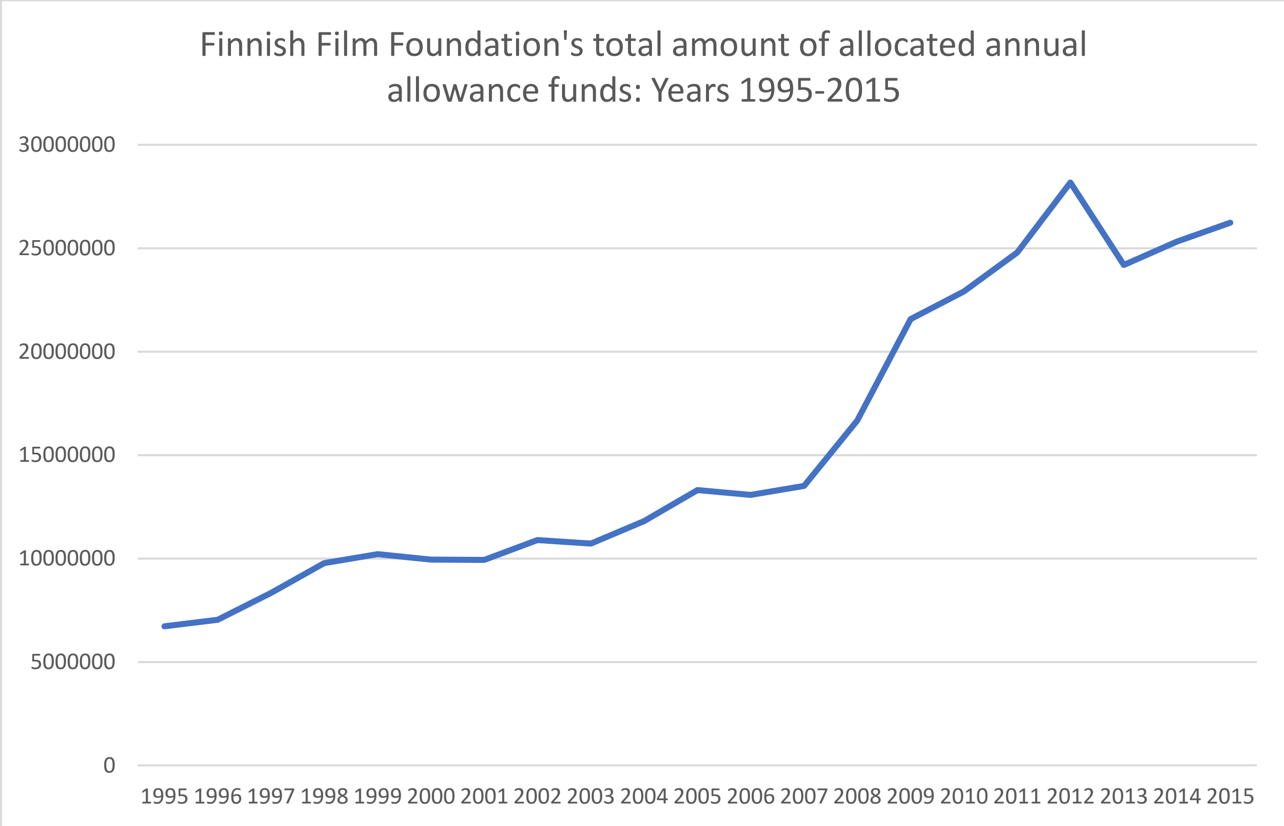

Figure 7. Annual allowance funds granted by the Finnish Film Foundation during years 1995-2015.

The next section will present the historical narrative. The narrative explains what happened in the Finnish film industry and in the Finnish Film Foundation during years 1995 and 2015, in a chronological order.

5.2. "Self-renewal or death": Years 1995-1999

1995

In the year 1995 Finland joined the European Union, and this was seen to open more international opportunities for Finnish film than ever before. Film production in the Finnish market was very scattered, consisting of approximately 100 different production companies, but the industry was practically dominated by a few big production companies. There was a lack of professional expertise in the market. The foundation had only been granting project-based support to build the professional expertise in the industry, and for this reason it was difficult to address the problem in long term.

In the same year, the Foundation was going through an organizational change. So far, the board of the Foundation had extensive power over the Foundation as production support decisions were made collectively by the board. The board was dominated by film industry experts, which brought certain tensions between the board members and film producers. It is important to understand that personal relationships between individuals might have had an effect on the production support decisions when this model was in use. The organizational change planned in 1995, aimed to shift more power on production support- and operative decisions to the CEO and to the head of production in the Foundation. The purpose of the new model was to shift the collective responsibility to an individual level, which was believed to lead to more "responsible" production support decisions.

The Foundation determined three focus areas for the year 1995. The first focus area was supporting the Finnish film production sector to strengthen their expertise in long term. To address the problem, the Foundation planned to make changes to the guidelines which were used to determine the production support funds granted. The new support guidelines then became active the next year. Until 1995, the production companies had to return funds to the Foundation based on their film's performance, but in 1995 the Foundation decided this needed to be replaced with an incentive system that would reward producers better for taking risk and therefore motivate them to do so.

The second target was guaranteeing the availability of Finnish film and strengthening the audience base. The distribution of Finnish film was developing into a more centralized setting after Rautakirja bought Finnkino. The third focus area was improving the advisory services of the Finnish Film Foundation. In addition, the Foundation saw it important to improve the distribution and marketing knowledge in the industry in the future. Most of this planned training would aim to support the export of Finnish film.

1996

The European Union was bringing development pressures to the entire film industry and to the domestic support systems. The allowance for the Finnish Film Foundation decreased from year 1995 by 2 million FIM. An increasing amount of funding for film production was starting to flow from a variety of new channels, however. A new CEO – Jouni Mykkänen – and a new head of production – Erkki Astala – joined the Foundation as the new organizational change planned previous year, took place.

In year 1996 the Foundation aimed to clarify the focus of their operations. The focus area for year 1996 was film distribution and developing the funding system for film productions. They planned to deepen their cooperation with stakeholders such as AVEK (promotion centre for audio-visual culture), KAVI (national audio-visual institute), education units, and with the biggest distribution companies in Finland. The Foundation planned to focus more on supporting the professional production and distribution of Finnish film, whereas the KAVI decided to take more responsibility of the national film culture. One clear issue in the funding system was seen to be that the production and funding decisions were made in isolation, separated from the distribution and performance plans. During that year the Foundation decided to further develop the marketing expertise of production companies and the funding ratio between distribution and production. In other words, the distribution needed more resources and it needed to be integrated more tightly with production. This type of arrangement was – and still is – common in Hollywood and global film markets as major studios dominate the market. Finnish films needed to be marketed with better expertise and resources to improve their performance. The Foundation was aiming to transfer a bigger responsibility for production funding to the production companies.

1997

The European Union was bringing new opportunities for international funding and training opportunities for Finnish film, and the Foundation planned to improve their advisory services in this area. The purpose was to better educate domestic production companies about international funding channels and training programs, and enable them to apply for funding from these channels.

A new television channel – Nelonen – started operating in 1997. This opened more independent funding opportunities for Finnish films, as television channels often had funded the production of movies in Finland in exchange for broadcasting rights in the past. The more independent funding available in the industry, the more business focused the production in the ecosystem would be as independent financers would naturally have a strong aim for profit with their film productions. The funding channels for Finnish films were being diversified and becoming more complex, and the Foundation planned to strengthen the entire production structure of the industry.

The growth in the Foundation's allowance and production funds increased the volume of production for the following year. It was seen important in the Foundation however, that their role alone couldn't be decisive in the industry. The Foundation saw it important that the role of the television companies would clarify in the future, and this was seen as a focus area for year 1997 in the Foundation. The television companies were embracing a growing responsibility in film production, and in practice there was always one television company involved in each production. The Foundation also realized the importance of marketing and distribution support funds in the planning of distribution and reaching the right target audiences for films.

Alternative channels for film distribution were increasing the distribution opportunities in Finland as video distribution kept growing rapidly. The state of movie theatres in the country was generally weak. The theatres were being supported by the Foundation to strengthen their viability.

1998

In 1998 the VAT for movie theatre tickets was decreased from 12% to 8%, encouraging more theatre visits and improving the profitability of movie theatres in Finland. The Foundation was not in a key role in the lobbying for this change, as it would affect the industry in general and therefore not specifically serve the Finnish films only. This would have been a bigger interest for the Finnish Film Chamber during that time. The allowance for the Foundation in 1997 allowed the Finnish Film Foundation to increase the volume of film production and the amount of funding per project. This resulted in a great number of films released in 1998 and the Foundation expected them to possess excellent audience potential as well as artistic value. The new support system and the support guidelines proved to be successful during the past two years it had been in use. The system was valid until the end of year 1998 and was reviewed during that year.

The key focus area for the Finnish Film Foundation in 1998 was again developing the marketing expertise for Finnish film. New support guidelines were being prepared in the year 1998 and they took place in 1999. Cooperation was also being improved between the Ministries and domestic television companies. The year 1998 marked as a turning point in the distribution of domestic film, as international distribution companies began taking part in the distribution and marketing of Finnish films. Buena Vista distributed *Kuningasjätkä*, and Columbia Tristar distributed *Poika ja Ilves* – which were both highly successful films in the Finnish market.

In 1998 a new funding agreement between domestic television companies took place. In 1997, the government for the first time granted 12 million to independent film producers. In line with the contract between YLE and the Foundation, the funds had been allocated to domestic productions that would then be broadcasted on YLE. The intention then was to turn this into a yearly practice in granting support funds.

The year 1998 was quite significant for the Finnish movie theatres, as two new multiplex cinemas were being opened in the centre of Helsinki: first Kinopalatsi and then Tennispalatsi. At this point, there was still a rather strong competition between film exhibitors in the market. Kinopalatsi was owned by Sandrew Metronome Finland Oy and Tennispalatsi was owned by Finnkino Oy. There were other multiplex plans in other cities around Finland as well, but in general Finland was behind most of Europe in this development. The emergence of Multiplex cinemas was seen as a positive development since the increased amount of screens could be seen to increase the opportunities to screen Finnish films as well. When there were more screens available for the exhibitors, Finnish films would have a better chance of being booked for these screens.

1999

In 1999, the Foundation had been in operation for 30 years. The opinion in the Foundation was that Finnish film had re-established its position again in the country. The annual allowance had been increasing over the recent years and reaching a more acceptable level again after the decrease during the national depression in early 1990s. The amount of production funds still had to continue increasing for the independent Finnish film industry to be able to answer to challenges in distribution network, and utilize the markets that were opening as result of this development. The year 1999 marks a significant landmark in the development of the ecosystem for Finnish film as the Foundation decided to draft a strategic objective plan ("Suomalaisen elokuvan tavoiteohjelma") for Finnish film. This plan would include a program for further developing the funding guidelines and categories, and a program to increase resources for the Foundation and to the industry in general. It was being drafted in cooperation with the industry and would serve as a strategic roadmap for the upcoming years in the industry, encouraging the cooperation between key players in the ecosystem to reach mutual goals. The strategic objective plans were developed with a dialogue with the board of the Foundation, and they aimed to take the industry's requirements into consideration. It is an early example of how proactive, strategic thinking about nurturing a national film ecosystem began to emerge in the Foundation.

The production support guidelines were being renewed during year 1999. A new set of guidelines for granting production support were then released in 2000. The goal was to produce 10-12 long fiction films while still paying high attention to their quality. The foundation aimed to remove unnecessary bureaucracy within the organization. This was also the year when the Foundation mentioned a goal for the volume of annual productions, strongly indicating that the Foundation saw the domestic film production more as a portfolio of productions which they would then orchestrate. This is an indication that a more business oriented way of thinking was strengthening within the Foundation. By giving a signal of what kind of films they were ready to grant support for, the Foundation proactively affected what kind of films were planned for production in the first place in the ecosystem.

In the year 1996 the Foundation put weight on improving the viability of Finnish movie theatres. In 1999, some suggestions had been prepared on how to actively support the viability of the theatres. The focus was especially on small and medium sized theatres. The plan was to analyse what the effects of multiplex cinemas would be for the distribution, and therefore make it possible to assess what changes were needed in the Foundation's support categories and guidelines.

For many years the Finnish Film Foundation had aimed to improve their image and they continued doing this in 1999. Strengthening the marketing expertise in the industry was still one of the key areas in 1999.

5.3. "Realizing the importance of commercial productions": Years 2000-2003

2000

Year 1999 was a great success for Finnish film as the admissions for domestic film reached the highest peak of the past decade, climbing up to almost two million admissions. The Foundation defined that this was due to: the increase in annual allowance during years

1997 and 1998; the increased involvement of television companies in film production; the ability of producers to gain other independent funding; and the increased variety and selection of Finnish film. There was a growing number of films that had exceptionally large production budgets for that time.

Digital television broadcasts started in the fall of 2000. A new constitution also took take place in March 2000. This brought new challenges as all new funding decisions were to be made in legislative level. Since the 1970s, the decisions regarding the funds granted by the Foundation had been made by the council of state. The new law was seen to strengthen the role of the Foundation as an issuer of funds for the film industry and their independency in doing so. For the first time in Finnish film history, film support was also mentioned in the government programme.

Year 2000 was also significant for the industry as the first strategic objective plan for the Finnish film industry – planned during the previous year – became active. The plan would serve as a roadmap for the industry for years 2000-2002. The defined goals in the strategic objective plan were: increasing the production support funds; increasing the funds for automatic production support; increasing funds for TV drama production; bringing in a new company specific production development model; and increasing funds for marketing and additional film copy production. The plan further stated, that in order for Finnish film to retain the budgets and volume of annual film productions, the amount of annual allowance had to increase. The funds allocated to automatic support played a key role as they helped to increase the funding for commercial productions that aimed to reach larger audiences.

In 1996, the goal for annual allowance for Finnish Film Foundation was set to 70 FIM. The Foundation aimed to reach this goal gradually and the amount that still needed to be increased was approximately 20 million FIM. 13 million FIM was granted from the governmental television- and radio fund for the cooperation of the Foundation and YLE. This amount had also gradually increased four years in a row since 1996. The objective set in 1996 for allowance level had not however actualized in year 2000.

In year 2000 there were organizational changes in the Foundation. The funding function of the organization was being centralized to the production function within the Finnish Film Foundation. Distribution and screening were also to be integrated as a part of this function.

The reason for this change was the need to bring distribution and production to work more closely together within the Foundation, and therefore, within the entire industry. The Foundation saw it important that the film projects would be approached from a perspective that covers the entire value chain from production to distribution.

The goal in year 2000 was to establish a 10% market share for domestic film in Finland. This was the first year that the Foundation mentioned a goal for market share for domestic film. It again indicates how the business oriented thinking in the Foundation was building up, and how the Foundation started to understand how commercial productions – which serve a large audience base – help to build a healthier ecosystem for Finnish film. In Europe the funding structure for films was generally formed by public funding, national television companies, other national funding and international funds. The Finnish film Foundation understood that a strong and "correctly" allocated public funding base was key to the health of the industry, and would encourage more independent funding to arise. An equally important priority in the Foundation's operations was, however, to simultaneously maintain the diversity of Finnish film.

2001

The impressive amount of admissions over the past few years were setting a strong challenge for the performance of the Foundation in 2001. The Foundation aimed to reach a 10-20% market share for domestic film while maintaining the diversity of Finnish film.

A focus area for year 2001 was the execution of the new strategic action plan which was launched in year 2000. A new set of guidelines for production support also became active in year 2001. The change in the Foundation's organizational functions was determined to be a success. The production function was now responsible for production, distribution and screening operations. The production function was however still aiming to improve their long-term vision, planning, and to put more effort into business training of the industry. Most of the trainings were actually arranged by AVEK or by EU Media programs. The Foundation however, was acting like a hub that connected these ecosystem players and built bridges between them.

13 million FIM was again allocated from the governmental television- and radio fund to the cooperation of the Foundation and YLE. In year 2000 there was an ongoing negotiation between MTV Oy, Nelonen and YLE about the continuation of their three-year contract

"Elokuva 2000" which was coming to an end that year. This contract stated that the television channels would participate in a certain amount of film productions per year in exchange of broadcasting rights for those films.

It was seen that digitalization was bringing challenges for the Finnish Film Foundation and the film industry in the upcoming years. The Foundation planned to start a project about the digitalization of film distribution in cooperation with the industry and the Ministry.

2002

The goal in 2002 was to maintain a 10% market share while supporting the diversity of Finnish film. The strategic objective plan was still at the core of the Foundation's operation in 2002. The strategic objective plan had encouraged a variety of industry stakeholders to cooperate more tightly, which then again supported the strengthening of the entire industry. The Foundation had suggested a 6 million Euro increase to the annual allowance by year 2002, in line with the strategic objective plan. The Foundation also founded an advisory board for digitalization of the film industry and the association of Finnish film producers founded a workgroup for digital film. The guidelines for marketing and distribution funds were being clarified in order to further develop the planning of marketing and create a more solid basis for proactive dialogue between producers and distributors before making decisions regarding funding. A new set of guidelines for support applications then became active in December 2002. During the same year, a new testing model was taken in use in the Foundation. With this model, the films could be tested prior to their release with a test audience, to learn more about the audience preferences before film releases.

There was a need for a 6 million Euro increase in 2003 to the Foundation's annual allowance in order to reach closer to the Nordic level of public film support. The strategic objective plan for 2000-2002 landmarks the first time that the Foundation referred to the Nordic level of monetary governmental film support in their official documents. Other Nordic countries had always been ahead of Finland in this sense, and Finland was now finally starting to actively benchmark with other Nordic countries. The costs in the industry had also increased, putting more pressure on the amount of annual allowance for the Foundation. A new decision to grant funding from the national television- and radio fund to the Foundation's and YLE's cooperation was approved again in 2002. The new agreement for YLE, MTV and Nelonen actualized in 2001 and it covered the next three years. According to the agreement, YLE was to be involved in the production of six films, MTV in two films and Nelonen in one film annually.

5.4. "*Re-established Finnish film gives rise to genre productions": Years 2003-2005*

2003

Year 2002 was great for Finnish film as Finnish movies earned significant awards internationally in 2002, as Aki Kaurismäki won the Grand Prix award in Cannes Film Festival with his film, *The Man Without a Past*. In addition, domestic movies yet again reached over one million cinema admissions. The Foundation recognized that the interest towards Finnish film had also increased internationally. A new strategic objective plan which was drafted in the previous year, became active in 2003. This document would again serve as a roadmap for the industry for years 2003-2005.

The targets stated in the objective plan were to increase the volume of movies produced per year to 15 long fictions films, 15 television dramas and at least 10 documentaries and short films by year 2005. The target for market share for Finnish film also increased in the new objective plan, and the Foundation began to aim for 15-25% annual market share and improve the export of domestic films. An important focus area stated in the plan for years 2003-2005 was to invest in the adoption of digital technology that would shape the industry in the future. The development of Finnish film gained more attention as well, and the Foundation started approaching the film production sector with a more defined portfolio view. This meant, that they decided to invest more in the support for development of Finnish films, allowing domestic production companies to better adopt the portfolio thinking that was common among major international film studios.

The Foundation began to realize, that cinema admissions are a powerful argument when lobbying for the annual allowance from the Ministry and Veikkaus. For example one argument used was the film *Rukajärventie*: Due to its big budget and great success at the box office, it was actually able to bring back more in tax returns to the government than the initial support funding granted by the Foundation. The Foundation's opinion was, that successful films like Rukajärventie, need a strong public funding basis. When the public funding would be allocated correctly, the private funding would follow. The more private funding available in the industry, the stronger the business interests in the industry would be, hence leading to a healthier and more independent film ecosystem.

An important priority in the Foundations operation was still to maintain high quality standards and diversity in Finnish film. In order to reach all these above-mentioned objectives and targets, the strategic objective plan stated an increase to the annual allowance. The annual allowance would need to be increased from 10 million Euros to 25 million by year 2005 for the targets to be effectively reached. However, the increase in year 2003 was only approximately 350 000 Euros, which was less than the Foundation aimed and hoped for.

The cooperation between producers and distributors had been positively developing during past years – and in 2003 – the Foundation decided to start focusing on improving the cooperation with the movie theatre network as well. The marketing expertise in the industry had developed significantly over the past 10 years. The producers were now more able to bring the right messages to the right audiences, and understood the importance of this. However, the marketing of Finnish film still needed to be further improved for it to be able to reach the audience targets stated in the objective plan. In 2003, the Foundation was in negotiations with the distribution companies about the opportunities of television advertising in the marketing of Finnish films.

Digitalization of the film industry remained as a key focus area for the Finnish Film Foundation in 2003. The forum of digital film continued mapping the changes in the digital landscape, and the Foundation was planning advisory services and education events for the digitalization of the industry.

2004

In 2004, the Finnish film reached a high number in cinema admissions: 1 160 000 with a 17 % market share. The strategic objective plan for years 2003-2005 was still guiding the operations of the Foundation in 2004. In 2004, the Foundation got an increase of 2.1 million Euros to the annual allowance, but the amount was still far off from the 25 million Euro target set in 2003. A significant amount of the allowance was allocated as post-support due to the huge success of Finnish films released in 2003. The target for market share in 2004 was 10-15%, but the amount of annual allowance set strong challenges and limitations to the amount of films produced and to the expected market share. The joint contract between YLE, the Finnish Film Foundation, MTV and Nelonen came to an end in 2003 and a new contract was negotiated in 2004. For 8th time, the annual funding was allocated from the national television- and radio fund for the cooperation of YLE and Finnish Film Foundation.

A strategic focus area in 2004 was the export of Finnish film and the Foundation increased resources in this area. The review of the support system started in 2003, focusing on balancing the admission targets and a diverse, high quality pool of Finnish films in the future. Increasing marketing expertise was still seen as a key area in 2004, and the Foundation predicted the distribution companies to start taking a larger role in the development of film projects in the near future. In addition, significant projects related to movie theatres were being planned and they utilized the previous learnings from multiplex cinemas. In 2004 the Foundation also began to have a better understanding of how the digitalization would affect the industry. The forum for digital film continued the mapping of the situation.

2005

Finnish film was quite successful in 2004, reaching more than one million admissions. The strategic objective plan for 2003-2005 was still driving the operations of the Foundation in 2005. All of the targets in the plan were not reached in time. The annual allowance for Finnish Film only grew 337 000 Euros in 2005, which was still far off from the 25 million Euro target that would have been coherent with other Nordic countries and in line with the targets set in the strategic objective plan. A significant amount of the annual allowance was again allocated for post-support due to the success of Finnish film in cinemas in 2004. A new agreement became active with YLE, MTV, Nelonen and the Finnish Film Foundation in 2004. According to the contract, YLE agreed to be involved in the production of at least six long fiction films, MTV in three and Nelonen in one production in exchange for broadcasting rights.

The Foundation's key focus areas in 2005 were the monetary support for Finnish Film and improving the export and success of Finnish films internationally. In 2005, the target for market share was 10-15%, and the intention was to permanently stabilize the market share to 15-25% and increase the export of Finnish film in the future. The Foundation had over the recent years been investigating how to better support domestic animation films, and in

2005 it was agreed that 30% of the increase in the annual support funds would be allocated in animation films. This was a clear indicator that the ecosystem was becoming readier for a larger variety of genre films.

In 2005 the Foundation saw two major changes affecting the distribution of film in Finland: The digitalization of screening and distribution, and the digitalization of Finnish television. The estimate was that digitalization would take place in ten years, and in 2005 the movie theatres were piloting and trialling digitalization. The biggest challenges in this area were related to the lack of international standards and heavy costs for the theatres. In 2005, the alliance of major Hollywood studios – Digital Cinema Initiatives – finally came into mutual understanding about the new standards of digitalization. For this reason, the plans for digitalization in Finland were late, and in 2005, there were initial negotiations about how to split the digitalization costs between movie theatres and distributors. The digitalization faced a lot of resistance especially from some of the distributors in the beginning, and the negotiations on how to split the costs of the new technology within the industry were building tension between the industry key players.

The amount of movie theatres in the country had remained relatively unchanged over the years even though the opportunities for watching movies at home had been increasing due to the emerge of DVDs, the emerging VOD services and – even piracy. The multiplex cinemas then again had been strengthening the theatre base in Finland. Therefore, one key area for 2005 in the Foundation was to motivate the movie theatres to react to the changing landscape of competition. The medium-sized municipalities in Finland possessed the most growth potential and the Foundation was actively allocating a part of the annual allowance to the renovation and modernization of the theatres. Domestic films were – and still are – watched relatively more in the smaller municipalities and "countryside", than in the capital area in Finland. For this reason, enabling the theatre base in smaller municipalities was crucial for Finnish film. The theatres in smaller municipalities were also struggling to cover the high investments that the digitalization would require. The digitalization of Finnish television then again more or less only resulted in a better quality of broadcasts and a more diverse program for television viewers. Analog television broadcasting finally ended completely on 31.8.2007.

Some changes were made in the production function in the Foundation in 2005. The guidelines for marketing and distribution support gained more flexibility as the production and distribution companies were given an option to give ownership of the fund to the other party entirely. This encouraged a deeper cooperation between these two ecosystem players and represented a slight move towards the American major studio model, where production and distribution functions are integrated.

A new workgroup was also founded within the Foundation to map the actions that should be taken to improve the export of Finnish film further. The overall admissions in 2005 were relatively low and there was a similar trend recognized internationally. The Foundation interpreted that this was due to the increase in alternate distribution channels, such as Video on Demand and piracy that had emerged with the internet revolution.

5.5. "Encouraging the digitalization of film": Years 2006-2010

2006

The strategic objective plan for 2003-2005 came to an end in 2005 and a new plan became active in 2006 for the years 2006-2010. The target that was set for annual allowance of 25 million Euros by year 2005 – was not reached in time. The Foundation managed to increase the allowance only by 2.4 million Euros, while the target for increase stated in the plan was 15 million Euros. In 2005, the Ministry of Education and Culture accepted the Nordic level of allowance for film industry as a basis for Finland in the future, however. This was a positive development for the industry. The objective for the amount of feature films produced per year was 15, and the Foundation produced 12 feature films on average annually during years 2003-2005. The objective for television dramas was 15 when only six projects on average proceeded to production. The production volume of short fiction and documentaries exceeded the objective however, as over 20 projects proceeded to production annually while the objective was at least 10 per year.

The market share goal for domestic film in the previous objective plan was met, as the actual figures during 2003-2005 were between 17-22% while the objective was to retain a level of 15-25% in the domestic market. The cinema admissions had stabilized to around approximately one million per year. The previous objective plan stated an objective to invest heavily in the adoption of digital technology, but this objective was not met in time as the definition of new international standards – basically set by Hollywood – was still in progress.

A new strategic objective plan for years 2006-2010 became active in 2006. Emphasis was put on the changing landscape of the operating environment. The digital technology was becoming more popular in the production side, while delay of international standards had slowed down the digital development in the distribution and exhibition side. The Finnish film ecosystem was becoming more international, as international productions, funding and distribution opportunities were increasing.

In July 2006, a new CEO – Irina Krohn – was selected and took over the operations of the Film Foundation as the previous CEO, Jouni Mykkänen, retired. The admissions globally were quite low that year, and the Foundation assumed that this was because the alternate, competing distribution channels – such as Video on Demand and piracy – had been rapidly increasing. The film viewing experience for the "internet-generation" was becoming more complex than it had ever been before. This trend was seen to affect the industry on a global level. However, the market share for Finnish film in the previous year was 14%, which was in line with the targets set in the strategic objective plan. The emergence of alternate film consumption channels in the ecosystem did not, however, have as much of a deadly effect for domestic film than the VHS in the late 1980s. The main objective for year 2006 was to increase the admissions for Finnish film and this naturally put pressure on increasing the annual allowance. The Foundation predicted that the objective would be reached by increasing the allocated funds per project and increasing the volume of film productions that support the diversity of Finnish film.

International co-productions were also becoming more popular and the need to allocate more funds for these projects was recognized in the Foundation. Objectives were also set for proceeding at least one feature animation film and one feature documentary film in production every year. There had been a strong positive development in animation films in Finland, and it was understood that they could possess great potential internationally as well.

The objective for marketing and distribution was still to strengthen the expertise in Finland in this area and grow the market share permanently up to 15-20%. The Foundation made some internal changes in order to process the applications for marketing and distribution funds faster in order to improve the cooperation between producers, distributors and exhibitors.

In year 2006, the Foundation started to support the purchasing of the first permanent DLP projectors and servers for movie theatres. Especially the theatres in smaller municipalities were struggling to cover the costs that digitalization would bring. The Foundation however had a very clear view that renewing the theatre network in Finland would be crucial to the future of the industry, and this was actively communicated within the industry by the Foundation. The Foundation took the main responsibility over digitalization in the industry and was actively speaking for it and encouraging it, while also monetary supporting it in the small- and medium sized municipalities. In 2005 the biggest single theatre project was movie theatre Tapio in Joensuu, which was opened in September 2005.

2007

The strategic objectives stated in the strategic objective plan for 2006-2010 were guiding the Foundations core operations. The goal for annual allowance was to double the amount in five years, increasing it from 14 million Euros to 27 million Euros. The goal for market share was to increase it permanently to 15-25%. The annual allowance for Finnish film in 2007 however decreased by 500 000 Euros, which brought challenges to the Foundation and therefore to the entire ecosystem. In order to reach all the objectives stated in the plan, the allowance needed to be increased.

YLE and the Finnish Film Foundation were the only Finnish partners in the Nordic Film and TV fund. With Nelonen and MTV not being members the situation was that Finland was giving out more funds to Nordic culture than it was actually receiving, and this was seen problematic in the Foundation. It was seen important in the Foundation to get MTV and Nelonen into this cooperation to strengthen the funding for Finnish film.

The first commercially operating digital screen was opened in December 2006 in Helsinki. The digital screening of Finnish films started in 2006 and the goal for 2007 was to screen at least half of Finnish films in digital form. The majority of screening of Finnish films was still based on the 35mm copies, which meant that it was rather expensive for the theatres to be flexible about their program. The first digitally operating screen was a practical example to the industry however, and enabled the ecosystem key players to see the benefits of digitalization more clearly. The digital copies were seen to radically decrease the cost of a single copy and in this way, allow the theatres to have more flexibility in their programs. The piloting of digitalization of movie theatres had been however moving strongly towards a commercial approach, and in year 2007, the Foundation finally started to monetarily support the production of digital film copies.

In 2006 Finnkino Oy bought the theatres from Sandrew Metronome Finland and grew its market share up to 70% in the country. Consequently, the competition in the market decreased as the second largest exhibitor had a market share of less than 3%. In smaller municipalities, however, traditional independent movie theatres still often dominated the local market.

2008

The objective for year 2008 was to grow the annual allowance to 27 million Euros by year 2011. Other key focus areas were: to determine an accurate schedule for digitalization and define how this would be financed; clarifying the objectives for Foundations support funds; and developing the strategy and teamwork within the Foundation. In addition to the target for market share, the Foundation was trying to bring in other objectives related to the quantity and quality of Finnish film. The amount of funds allocated per production had been decreasing over the past years, and in 2008 the aim was to turn this decrease in to growth again. The Foundation aimed to produce 10-14 domestic long fiction films in 2008. At least one animation or children’s movie was also to be set into production, as animation seemed to be the fastest growing film genre internationally.

The Foundation was outsourcing a consulting report about the opportunities of private financing of Finnish films, and organizing a seminar for the private film investors. The Foundation was also participating in the cooperation of Eurimages and the Nordic movie- and television fund. The aim of this was to increase the funds for production of Finnish film and strengthen the international networks of the producers. The domestic agreement between television companies was coming to an end in 2008 and a new contract was again in the negotiations.

The funds for producing digital film copies in Finland had been well accepted and adopted in the industry. In 2008, a new forum for digital films was founded within the Foundation. It was more of an informal discussion group that also involved other ecosystem players, such as Sony. During the same year, a research was also conducted about the audiences of

Finnish film. The Foundation also drafted a strategy for domestic film distribution, and dug deeper into the movie theatre situation in the Finnish market.

In terms of market share and admissions for Finnish film, the Foundation had been well on targets during the entire 2000 decade. By year 2008, the market share seemed to be permanently stabilized between 15-23%, and the annual admissions regularly reached over one million. In year 2008, it was clear in the Foundation that the multiplex theatre model did not serve domestic arthouse films very well. The focus which had been heavily on admissions in the production phase in the Foundation for over ten years by that time, was considered not to serve the current state of Finnish film accordingly. The Foundation began to consider a "two-door" approach, where the fund applier could choose which production advisor to turn to depending on the type of the project. Basically, this meant that the Foundation started serving arthouse and commercial film productions in a more separated way that year.

2009

The strategy objectives for year 2009 were: to more effectively allocate the funds to production, distribution and the export of domestic film; sharing information and creating a positive attitude towards Finnish film in the governmental dialogue; raising the professional expertise in domestic film; reaching new audiences, and supporting new distribution platforms.

The targets were reaching the level of 27 million in annual allowance by year 2011, maintaining at least a 15% market share for domestic film and creating a distribution strategy together with the film industry's ThinkTank. With ThinkTank, the Foundation mapped the opportunities and challenges the industry was facing in the emergence of digitalization. In addition to these targets, the Foundation focused on: improving the statistical documenting in the industry in cooperation with the Ministry and Statistics Finland; including the film industry as a part of national innovation politics; and executing the Foundation's communication strategy. The Foundation was also involved with Tekes by this point.

In year 2009 the Ministry suggested a raise of 2.5 million Euros to the annual allowance. With this allowance, the Foundation aimed to increase the amount of funds allocated per production project, produce a few cheaper fictions which could be digitally distributed when successful, and allocate a part of the funds for the production of short-films. They planned to keep the volume of fictional feature film production between 11-15 films annually, that would then aim for theatre distribution. In addition, the Foundation decided to allocate more funds to co-productions, funding 3-6 co-produced films where a Finnish production company would be involved as a minor funder and that would possess Finnish artistic value. The Foundation had also been running a development program for Animation films for two years by that time, and many of the films developed during that time were moving into production in year 2009.

In 2009, the Foundation raised the marketing and distribution funds by 7% in order to support the domestic film in an increasing competition. The Foundation thought that the marketing plans for Finnish films still needed better preparation and quality, so they also arranged and planned seminars around this topic in year 2009.

The state of digitalization in the Finnish theatre basis was progressing well, and the Foundation predicted that during year 2009 the amount of digital theatres would be doubled in Finland, resulting in approximately 30 theatres in total in the country. During years 2009-2010, the Foundation gained 1 million euros of separate annual allowance from the Ministry as economic recovery funding, which was to be allocated in the renewal and digitalization of the theatre network. The timing of this economic recovery funding was spot on, as domestic theatre owners were really starting to wake up to the need for digitalization.

2010

In year 2010, a new strategic objective plan for Finnish film was drafted as the previous objective plan was valid until the end of year 2010. The Foundation started to define a schedule for increasing the annual allowance to 27 million Euros. The goal for market share that year was 15 %. In 2010, the Foundation also began to speak for including Finnish film as a part of the national innovation politics. The Foundation also decided to investigate their internal processes, and develop their staff and organization to become more effective.

The annual allowance increased 14% in 2010, reaching 20 million Euros. This meant that the Foundation was still behind their target of 27 million Euros by year 2011. In 2011 the funding from YLE was becoming more insecure, and this was seen to bring difficulties in the negotiations between producers and television channels. The national depression had also affected the profits of television channels and therefore the risk-taking capabilities of the producers. A second research about the audiences of Finnish film was conducted in the beginning of year 2010.

Due to the increase in annual allowance, the Foundation was able to increase the amount of films produced that year without decreasing the budget per production. The Foundation's funding per project had grown up to almost 50% of the production costs per project, and the target for 2010 was to set 14-17 long fiction films into production. That year the Foundation also took part in a strategic development program for animation film and began a ThinkTank program for documentary films. In terms of film genres, documentaries were a focus area for the Foundation in 2010. That year the Foundation recognized as well that the supply for international co-productions had also increased and according to research conducted in this area, their distribution was more successful.

The Foundation encouraged the producers to develop their marketing across different media and include these costs in the initial production budgets. Even though the Foundation had been pushing the development of marketing plans already in the production phase, there was still work to be done in that area. The emergence of digital film copies had significantly reduced the distribution costs in the industry, which previously were higher due to the expensive 35mm film copies. The Foundation decided that the additional budgets which were now available for distribution due to the diminished costs of film copies, were now to be allocated in the marketing of Finnish films.

5.6. "Reaching a top-European quality": Years 2011-2015

2011

In 2011, a new strategic objective plan for Finnish film became active. The plan served as a roadmap for years 2011-2015, and stated eight specific targets for those years: Develop an internationally competitive incentive system for productions; raise the funds for production to the Nordic level of 33 million euros; digitalize the theatre network completely in Finland by the end of year 2013; include Finnish film in the Yleisradio law, so that YLE would be legally required to support Finnish film; make sure that the fair compensation system answers to the development of technology as in 2011 it was clearly outdated and did not provide appropriate compensation; secure the copyrights of Finnish film; strengthening the export of Finnish film, and positioning Finnish film in the European culture politics.

The Foundation's operations in 2011 were guided by the objective plan for 2011-2015. For that year, this meant that the market share for Finnish film that year should reach 17%. In 2011, the key focus areas of the Foundation were: to create a positive atmosphere in the political discussions around Finnish film; raise the professional level of Finnish film productions; reach new audiences by supporting the development of new distribution channels; and finding new funding channels for Finnish film. The long-term targets were: to raise the annual allowance to Nordic level; raise the market share for domestic film; raise the total amount of film admissions to the European level; support the distribution of domestic films to international markets; and support the development of digitalization in the industry.

The annual allowance had grown over 50% during Stefan Wallin's time as the Minister of Culture, which was a very positive development. For production funds the year 2011 was quite significant in the Foundation, as they launched a new funding instrument – the 50/50 production support. This meant, that the Foundation would fund 50% of a films production costs if the production company had been able to secure 50% of the funding from other sources. With this new instrument, the Foundation was aiming to encourage more independent funding to emerge for Finnish film. It is important to consider, that launching this instrument would not have been possible in the 1990s, as the financial base for Finnish film was not as strong. As a result of a healthier ecosystem, changes like this were possible. It was now a new way for the Foundation to encourage more independent funding to emerge within the ecosystem.

Over 80% of production funds granted by the Foundation each year were allocated to projects were YLE was one of the funders. YLE's funding in the future however, was seen highly insecure due to their internal crisis, which was bringing significant challenges for production companies. For this reason, the Foundation was lobbying for the new law were YLE would be legally required to develop the national film art.

2012

The objective plan for Finnish film for years 2011-2015 was still at the core of the Foundations operations in 2012. The target for market share that year was 20%, and as stated in the objective plan, the Foundation was intending to improve the export of Finnish film and advisory services that year. Because of the ongoing crisis at YLE, the funding from YLE was halved. In addition to this, the state economy was struggling, and the fair compensation money from AVEK was decreasing, which was worrying for the industry.

The productivity in the Foundation had been growing significantly over the recent years. The Foundation assumed that this was due to the continuous increase in annual allowance while only having a slight increase in operational budgets. The funds for production increased yet again in 2012 as the annual allowance grew from the previous year. The Foundation was balancing between supporting experienced film makers and enabling new film makers to enter the market. The line between professional and amateur film production, was clear from the Foundation's perspective in decision making, but the applicants occasionally had differing views on this matter. A separate project was set up to support the new film makers to enter the industry. The demand for international co-productions had grown again, and the Foundation allocated 0.8 million Euros to this area. The 50/50 production model was under review in year 2012, as it had started only a year before.

2013

The objective plan for 2011-2015 was still guiding the Foundations operations in year 2013. The goal in terms of domestic market share was 20% and the themes for the year were cooperation, readiness for change and scriptwriting. The domestic cinema admissions reached the highest number in 50 years in 2012, but the future was still looking challenging for the industry as the Ministry was indicating decreasing levels of support funds for the upcoming years. For this reason, the Foundation was actively lobbying for a law that would make YLE legally responsible to contributing to Finnish film industry and culture, and for maintaining Veikkaus' position in the European betting market. This was naturally key to the Foundations existence, as Veikkaus was facing competition from international betting companies online, and all of the Foundation's funds were allocated from Veikkaus.

The Foundation started an analysis of their operating environment and the Foundations role in it. The purpose was to better utilize the information and knowledge within the operating environment, make sure that there are no organizations doing overlapping work with the Foundation and to improve the core operations of the Foundation. The Ministry also conducted a mapping of the organizations in the operating network. That year a research project about the effects of digitalization of theatre distribution network was also outsourced from Aalto-University. The purpose was to map the benefits that the digitalization had for the industry's profitability and how different actors in the ecosystem benefited from it. The result was, that the true benefits of digitalization for industry key players were still to be seen in the future. It was unanimously agreed in the industry, however, that at least the film viewers were true beneficiaries from the digitalization.

The experimentation with 50/50 production support model continued in year 2012, and the entirety of support instruments was under review that year. One reason for this was, that the theatre network was finally completely moved into digital form, and it was time to update the funding instruments and portfolio accordingly. The Foundation was keeping close relations to international funding and co-production forums, supporting the film makers visits in these forums and providing advisory services in this area. They were increasingly acting as a bridge builder between the national and international film ecosystems.

A new experiment was in the planning that year regarding the distribution of films. The Foundation was planning to experiment with a model in the near future, where a production company would directly be responsible for the distribution of their own films without the involvement of a separate distribution company. This arrangement would be even closer to the American major studio model practices.

2014

The annual allowance in year 2014 was on the decline for the second year in a row now. The objectives for year 2014 were stabilizing the domestic market share; improving the accessibility of domestic film; answering to the disruption that was taking place in the industry by developing the international funding and distribution; and improving the readiness to respond to the changes in the value chain. Other key goals were to bring forward the societal influence of films and the Foundation, and encouraging the renewal of the law concerning the development of film art with YLE.

In the production side, the Foundation was planning to increase the maximum amount of production support per project. This meant, that the volume of films produced would decrease since the annual allowance had been decreasing for two years in a row. The 50/50 production support model was continued that year, and the Foundation aimed to fund 4-6 co-productions where a Finnish production company was involved with a minority share. The amount of international funding in Finnish films had been increasing the entire 2000 decade, and the share of international funding was now approximately 20% of the domestic production budgets.

In the distribution side, the allocation of support funds was being focused from exhibition to marketing, training and research. As the digital film copies diminished costs in the ecosystem, more funding was available for these areas. The aim of the training activities was to improve marketing and international networking capabilities. The new value chain in the distribution was still developing and not clear to all industry professionals. The Foundation was planning to allocate more funds to the marketing and distribution as the digital exhibition side was now becoming financially more independent.

2015

2015 was the first year when new laws, “Elokuvatiedonanto” and “EU ryhmäpoikkeusasetus”, were being applied. The film industry had seen the benefits of digitalization but the consumers’ interests towards consuming films as physical products had significantly decreased. The Foundation could finally in year 2015 answer to this by making changes to their support system. In order to keep the film ecosystem healthy, the Foundation saw it important to strengthen the film makers’ capabilities to make films and the production companies capabilities to produce them. In order to secure the availability of Finnish film, the Foundation stated that there was a need for a “healthy film network” and maximal utilization of digital distribution. At this point the Foundation quite clearly – for the first time – started referring to the film industry as an ecosystem, as “a film network”. They also clearly saw themselves as the focal player in the ecosystem who should take care of the overall health.

The maximal production support cap per project was raised in 2014, and it was now 25% higher. It was also possible to grant an amount that exceeded this limit with a collection agreement, that would require the film to pay back a part of the support in five years, depending on the profits of the project. This meant that the volume of films produced was decreased that year yet again, as the annual allowance only increased slightly. A similar change was taking place in the marketing and distribution funds, as the cap amount per project was increased to 120 000 euros. The Foundation was therefore focusing more on the quality-, than the quantity of productions. By this point, the Foundation had supported the digitalization of the Finnish theatre network for approximately 10 million euros, covering roughly half of the theatre investments in small to mid-sized municipalities in Finland.

The Foundation was continuing its leadership with knowledge, and started a project with the Ministry to build better statistics of the entire industry. It saw itself as the meeting point and a hub for the audience and the film industry. The Finnish film industry had for long lacked statistics that would measure the complex dimensions of film better.

In terms of funding sources, the Foundation was pursuing a cooperation agreement with YLE to improve the position of Finnish film. One goal was to also better engage teleoperators and other actors benefitting from the digital distribution to the film production network. They were encouraging new funding channels to take part in the ecosystem. To give an example, a Video on Demand service operated by a Finnish tele operator – ElisaViihde – now actively takes part in domestic film productions in exchange for streaming rights, and has in this way found its place in the national film ecosystem.

6. Analysis

6.1. Ecosystem for Finnish film

The Finnish Film ecosystem is unique in its nature. To the best of my knowledge, there is no existing literature on identical ecosystems – or even closely similar ones. The film industry is also unique in its nature, and has not extensively been researched from an ecosystem point of view. The dynamics in the ecosystem are unique as it is so dependent on the Finnish Film Foundation, and the Foundation's only mission business wise, is to make the industry thrive and nurture the ecosystem. This role seemed to have changed during the years however, and more emphasis has been put on actually nurturing a business ecosystem than just supporting the national art culture and individual film productions. The role of the Foundation is somewhat similar to an *anchor tenant* in a knowledge ecosystem

(Clarysse et al. 2014), as it shares information and in this sense spurs economic growth in the ecosystem, without directly competing with other ecosystem members. The fact that the Foundation gives a crucial amount of CPR in terms of funding to the industry, puts them in a unique role, giving them power over the entire ecosystem. When the Foundation makes changes to their support guidelines, the industry is “forced” to follow these changes, if they wish to apply for funding. It is important to understand, however, that the board of the Finnish Film Foundation still includes leading industry experts and film industry influencers. The Foundation is therefore partly guided by the industry, rather than being separated from it. This research positions the Finnish Film Foundation as a focal actor in the Finnish film ecosystem.

Most of the current ecosystem literature also focuses on researching ecosystems from a focal company’s perspective – as is done in this research too – but academics in their studies mostly focus on giving managerial guidelines for companies on how to gain competitive advantage in these environments. The perspective in this research is unique, since the focal organization is not aiming to gain competitive advantage over the other ecosystem players or a chokehold over the ecosystem, but rather nurture the ecosystem and act as a gatekeeper to the industry and a bridge builder between ecosystem players.

“Drawing the precise boundaries of an ecosystem is an impossible and in any case, academic exercise” (Iansiti and Levien 2004, pp. 2). Therefore, the ecosystem for Finnish film, which is proposed in this paper, focuses on analysing the Configuration (Rong et al. 2015) and the Constructive elements (Rong et al. 2015) of the ecosystem. Ecosystem is a complex concept, so a specific perspective needs to be chosen for the analysis. Constructive elements reveal the key players in the industry (Rong et al. 2015) from a business ecosystem point of view, while configuration explores the nature of relationships between these ecosystem key players (Rong et al. 2015). In this paper’s ecosystem analysis, value creation is at the core while loosely acknowledging the multi dimensionality of the film ecosystem – and how it overlaps with other closely related ecosystems. Films can be considered as individual innovations in the film ecosystem, and there is an underlying knowledge ecosystem covering the film industry in Europe, as the European Union provides training and knowledge sharing to the European film industry. This dimension emerged as Finland joined the EU in 1995. Valkokari’s (2015) definition of innovation-, knowledge-, and business ecosystems helps us to understand that these ecosystems are overlapping and blurring in reality.

The ecosystem for Finnish film is a sub-ecosystem merging into various other "umbrella" ecosystems. It can be seen as a part of a larger national culture production ecosystem, which produces various forms of art, ranging from theatre to opera. All of these art forms cooperate with each other and at the same time compete for public funding. They form two-sided relationships between each other. They therefore construct a larger national culture production ecosystem.

According to Valkokari (2015), changes in the sub-systems influence the main ecosystem, and it is therefore important to acknowledge this dimension of the Finnish film ecosystem. For example, an economic depression will affect how the Ministry shapes its attitudes and decision making towards national culture production. Then again, the ecosystem for Finnish film is also a part of larger, Nordic and European film ecosystems where common funds are distributed, knowledge is shared and innovations and technologies are co-produced and advanced. Think of international co-productions, the EU Media program, international film festivals and EU regulations shaping the national support systems, for example. Lastly, the national Finnish film ecosystem is also a part of a large global film ecosystem, where American productions both feed and set direction for national film markets. Think about how digitalization of film was postponed in Finland in the early 2000s due to the lack of international standards, for example. The Finnish national film ecosystem had to wait for Hollywood to clarify the international standards of digitalization, because the American productions dominate the market globally. From this perspective, we can also now see more clearly the competitive and cooperative situation between American- and Finnish national film ecosystems, and the evolvement of this setting as the domestic market share in Finland was 3.7% in 1996, when today the representative figure is around 30%.

According to Valkokari (2015), today's ecosystems are global and defining where one ecosystem ends and another begins can be difficult, supporting the view proposed by Iansiti and Levien (2014). This study limits the analysis of the ecosystem for Finnish film into structuring the core players in the national environment, and their interdependencies and relationship types in the Finnish film industry. A structured view of the ecosystem is built upon the historical narrative developed in this research, by conducting member checks and by utilizing the online sources available on the topic and informal conversations with experts in the Finnish film industry.

The Finnish national film ecosystem includes players from governmental functions all the way to the consumers, the film viewers. The value production begins when the Parliament makes an initial decision on how to share the profits of Veikkaus Oy between culture and sports in Finland. Ministry of Culture and Education then has an influence on the amount of the profits of Veikkaus Oy will be allocated to the Finnish Film Foundation as their annual allowance. The Film Foundation has to actively lobby for their annual allowance from the Ministry. The Finnish Film Foundation then coordinates this pool of funds in order to develop the professional film production, exhibition and distribution of Finnish films. Most of this funding has over the years been directly allocated to domestic film production, and approximately 40% of the annual domestic film production costs in Finland are covered by the Foundation. But as mentioned in the historical narrative, significant amounts have also been allocated in other key areas of the ecosystem, such as the digitalization of the theatre network.

The production companies are at the core of the production of films, which are then exhibited by distributors via their complementors, the film theatres. The Finnish Film Foundation and the production companies can also be seen as complementors to each other, as the Foundation provides monetary support and expertise for the production companies. The relationships are two-sided as when production companies succeed in creating great films, the Foundation benefits too (not in monetary form, however), and the Foundation has a great influence on what kind of films can proceed to production in the first place. In a way, the Foundation is a platform which orchestrates the professional production of Finnish films in the national film ecosystem, and a hub which enables the key players in the ecosystem to cooperate more tightly, share knowledge with overlapping ecosystems and co-produce innovations.

In the same respect, we could see the scriptwriters, directors, actors and other niche actors – who bring in value to the production of the films – to be complementors to each other. Scriptwriters, directors, actors and other players in the ecosystem who bring artistic value in to the ecosystem should mainly be seen as niche players – as they specialize in a certain niche activity – and in this way, produce value in cooperation with others. A film script in itself does not produce real value to end customers, and the process of creating a film requires investments, capabilities and cooperation from all the key players within the ecosystem.

After a film has successfully been produced and moved up in the value chain to exhibition, the films are consumed in theatres. At this stage, the distributors and exhibitors negotiate contracts that define how the films are screened in theatres and how the profits are shared between these ecosystem players. The level of consumption in theatres and other distribution channels then again defines how each contributor in the ecosystem benefits from a single film. Theatres, distributors, production companies, television companies and other funding sources gain monetary benefit from the success of a film, defined by the level to which its consumed in theatres and via other distribution channels such as video on demand services and television broadcasting. In this respect, we can argue that the *entire ecosystem lives from the consumption of the films*. The consumption of films pumps financial benefits for the key players involved, and in this way, encourages other players to take part in the ecosystem.

The Finnish Film Foundation, Veikkaus Oy and the Ministry of Education and Culture then again, gain benefit in other forms. This form of benefit completely depends on their mission. They can be seen to play more of a component type relationship for the production companies in an innovation ecosystem, as they pump a crucial amount of funding into the film ecosystem. The level to which a film is consumed gives the Finnish Film Foundation justification, and builds up their lobbying power for more funds to support the industry. In this respect, Veikkaus Oy and the Ministry then feel this success as more of a pressure to grant more funds in the future – as the films are seen to be important for the nation. Satisfying the nation’s needs should then be at the core of governmental functions after all. From this perspective, we can again conclude that the Finnish film ecosystem lives from the audience of the films: The stronger the audience, the better the conditions for a healthier ecosystem are. It is a two-way relationship where one strengthens the other, and pumps life into the ecosystem. In our case, the more the public funding increased and admissions developed over the years, the more public and independent funding began to emerge in the ecosystem. Increase in funding alone is not a complete explanation – since as Iansiti and Levien (2004) argue – each domain that is critical for the value production in the ecosystem should be healthy in order for the ecosystem to successfully produce value. Tension can rise between complementors in the ecosystem as new technologies are introduced (see e.g. Adner 2006; Mantovani and Ruiz-Aliseda, 2016). This was the case when digitalization was taking place in the Finnish film ecosystem. Therefore, the efficiency and health of each relationship in the film ecosystem contributes to the final result, and to the overall health of the ecosystem in long-term.

The Finnish Film Foundation has a lot of power over the ecosystem, and for this reason they can guide the industry towards a direction they see as favourable. This explains how the Film Foundation plays a strategic role as a focal company in the ecosystem as they define which films proceed to production – and therefore possess hard power as they influence and directly fund the production, distribution and exhibition of Finnish film. The Foundation can also use its soft power by providing advocacy services; building bridges between ecosystem players and between overlapping ecosystems; training ecosystem players; and establishing common strategic goals and roadmaps for the industry. The effect of politics and personal relationships within the ecosystem and this power structure should not be neglected. A handful of people in the Foundation and its board – consisting of major distribution companies, theatres and production companies – have a lot of power to shape the opinions and actions within the entire industry.

As in 2016, the Finnish film ecosystem players consists of: 222 production companies; 26 distribution companies; 49 trusts, commissions, associations and other players; Veikkaus Oy; Ministry of Culture and Education; and the Finnish Film Foundation.

The figure below visualizes the Finnish film ecosystem from Configuration and Constructive elements point of view. It pinpoints how value is created among the key ecosystem players, and shows the multi-dimensionality of the relationships between the key players in the ecosystem. It also presents how the domestic cinema admissions feed the entire national film ecosystem over time.

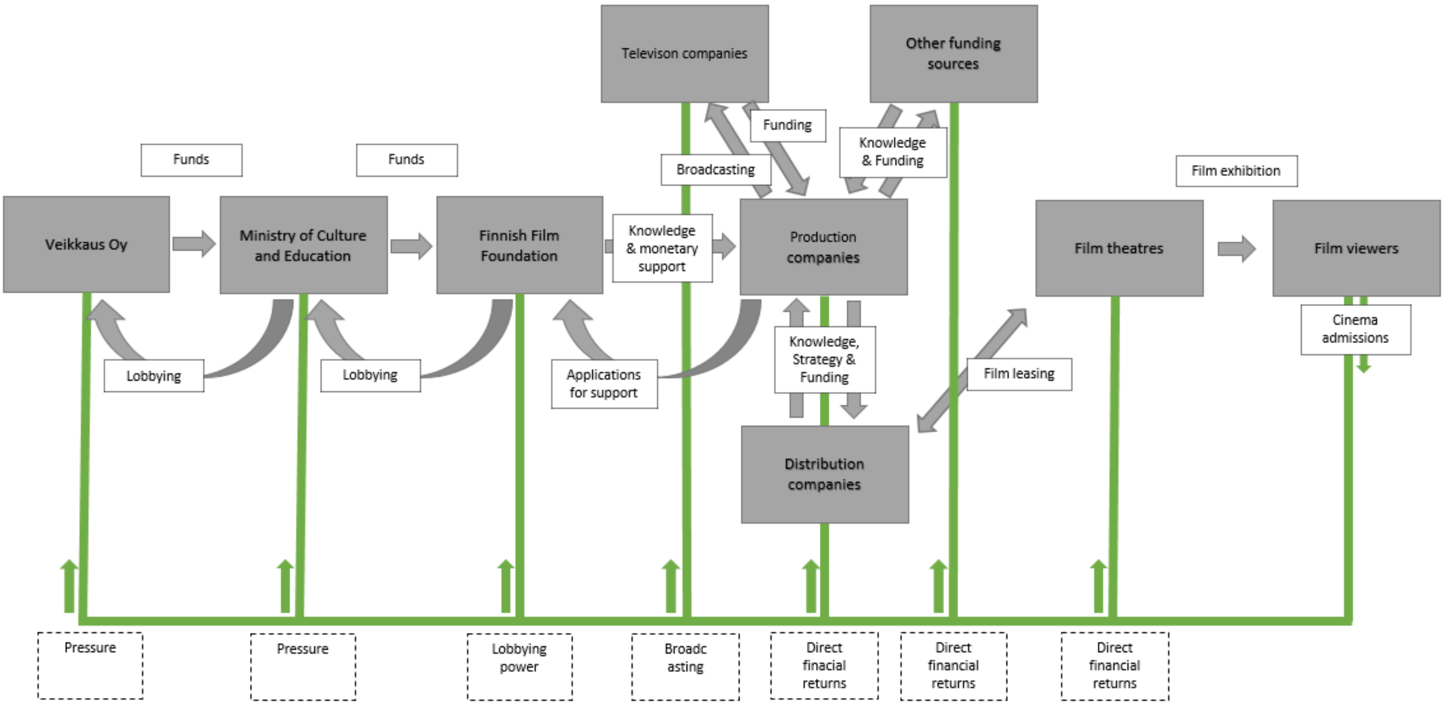

Figure 8. Ecosystem for Finnish film: Value production, Constructive elements and Configuration

6.2. Management and evolvement of the ecosystem for Finnish Film

This section of the analysis investigates the ecosystem from the Change (Rong. et al 2015) point of view. It sums up how the national Finnish film ecosystem evolved over the past 20 years and explores how the Finnish Film Foundation contributed to this evolvement.

6.2.1. Ecosystem evolvement

The Finnish film ecosystem was facing a self-renewal stage in the 1990s as a new player – VHS – had suddenly emerged in the ecosystem. The new player in the ecosystem changed how films were consumed. Before, consumers had to watch films in cinemas, but with VHS, the films could now be consumed at home. As a result, the industry suffered globally as theatres around world lost admissions. In Finland, the domestic film suffered the hardest, however.

Why did Finnish film suffer the most then? According to Jussi Mäkelä, the focus of domestic film productions in Finland before VHS entered the ecosystem, was not very business oriented. For this reason, the damage was heavier on Finnish film. Suddenly, they had to compete more than ever, but the Finnish film ecosystem was not ready for the competition. American productions were in general more commercial, possessed bigger budgets and better marketing knowledge, and traditionally had a stronger business focus than domestic productions. The entire Finnish film ecosystem lacked a business oriented approach, where films are produced for large audiences and production companies are at the core of the value production. The film ecosystem feeds from the audience of films, and the ecosystem at this point was not tailored for this principle. For this reason, they could compete in the changed ecosystem. As a result, domestic film was really struggling in the Finnish market.

In 1995, the Foundation went through an organizational change. This was a key event and can be seen as a starting point for self-renewal in the ecosystem. Before, the board of the Foundation had extensive power over the Foundation. The board was dominated by film industry experts and the production decisions were made collectively by the board. After the organizational change in 1995, more power in production support- and operative decisions shifted to the CEO and to the Head of Production in the Foundation. This change also removed the collective responsibility over production support decisions, as now an individual was responsible for each decision. This can be considered as a turning point in the Foundation, as potential subjectivity in decisions was easier to address when an individual was responsible, rather than in case where a decision made collectively by the board. This might have been an event that initially built basis for the later domestic commercial productions that served larger audiences and nurtured the domestic cinema admission base.

Video on Demand emerged as a new player in the ecosystem in the late 2000s, further changing the way films were consumed and having a similar effect to VHS when it first emerged. This time, new complementor relationships emerged more effectively, as for example, ElisaViihde – a Video on Demand service – is today participating in domestic film productions. This indicates learning in the ecosystem, by showing how the ecosystem quickly integrated a new ecosystem player without losing efficiency, but rather improving it.

A key theme that requires to be brought up is the financial basis for Finnish film and its evolvement over time. The annual allowance of the Finnish Film Foundation has significantly increased over the years, leading to better conditions for domestic film production, allowing the ecosystem to produce, distribute and exhibit an increasing number of better quality films. As argued before, the lobbying power stems from the level of cinema admissions, causing a continuously evolving effect, as cinema admissions kept increasing with the annual allowance. It's important to acknowledge, that the amount of public funding itself is not the answer. As Fernandez-Blanco and Prieto-Rodriguez (2003) found out in their study of the Spanish film industry, when government funds were allocated to only culturally meritorious film productions, the industry reached its lowest market share for domestic film ever. In order to nurture the film ecosystem, the funds need to be allocated in a way that supports the entire ecosystem. Innovation challenges should be addressed in an ecosystem for them to successfully be commercialized (Adner and Kapoor, 2010). As Iansiti and Levien (2004) argue, each member that is crucial for the value production in the ecosystem should be healthy. Otherwise the products or services of a business ecosystem will not successfully be commercialized to end customers, and the ecosystem will perform poorly.

When the public funding was allocated in a way that brought high admissions to the ecosystem, more private funding began to emerge in the ecosystem and international co-productions became more common in Finland. The role of television companies in the late 1990s and 2000s should also not be neglected as their increased involvement strengthened the business oriented thinking in film productions and diversified the financial basis for Finnish film. The more private funding was available, the stronger the business oriented thinking naturally was in the industry. Then again, business oriented thinking in film industry aims to capture large audiences, which then required a variety of films to be produced for different audiences. This eventually led to the production of a more diverse genre films, and today there are Finnish films ranging from animations to youth-, comedy-, and horror films. In fact – domestic animations are today, highly popular in Finland.

Overall, the cooperation between television companies, distribution companies, production companies and other funding sources such as tele operators has improved significantly, leading to better improved expertise, a stronger, more diverse business driven financial base for productions and improved distribution and exhibition capabilities of Finnish film.

The emergence of digitalization in the Finnish film ecosystem is another key theme that rises from the historical narrative. It has improved the opportunities for Finnish film to be screened around the country – especially in the medium and small sized municipalities, where domestic film is most popular. The digitalization will be investigated more from the ecosystem management point of view in the next section.

6.2.2. Ecosystem management

The Finnish film industry in the 1990s faced innovation challenges within the ecosystem. Both external component- and complement challenges were high, as the theatre base and distribution and exhibition capabilities for Finnish film were low, and the resources and expertise for film production were significantly lower as they are today. The fact that most of the Foundation's annual allowance funds (approximately 80%) were allocated to film production supports the argument that the ecosystem for Finnish film addressed the external component challenges first. With the understanding of the innovation challenge matrix by Adner and Kapoor (2010), this means that the ecosystem moved into a situation where it was later mainly facing external complement challenges.

The Finnish Film Foundation has also influenced the ecosystem evolvement, by encouraging the cooperation between key ecosystem players. As the Foundation was granting support funds to both production and distribution of Finnish films, it possessed hard power over these complementors in the ecosystem. By making changes to the support guidelines in distribution funds, the Foundation encouraged – or maybe even forced – the distributors and producers to work more tightly together. The value co-production between these complementors has since then improved, as we can see from the admission statistics. This might have also encouraged the international distribution companies to take a bigger role in the national Finnish film ecosystem over time. This would support an argument that the ecosystem also addressed external complement innovation challenges over the years, and that the Finnish Film Foundation contributed to this change.

The Foundation has also contributed to the ecosystem evolvement by establishing relationships and providing advocacy services for the key players in the ecosystem. They have served as a bridge builder between international film ecosystems and the Finnish film ecosystem. For example, the EU Media program has a unit in the Foundation's premises. The Foundation has over the years also supported the travel of film makers to international film festivals, provided them advisory services and supported their international networking.

As argued in the previous section, the Finnish Film Foundation is a focal organization in the ecosystem for Finnish film. On average, they contribute to approximately 40% of the film production budgets in the ecosystem annually. They therefore definitely possess hard power over other ecosystem players. A focal organization in an ecosystem can use its smart power to manage an ecosystem (Yoffie and Kwak, 2006). A deeper look into how the Foundation balanced between hard- and soft power strategies is therefore necessary at this point.

Was Finnish Film Foundation relying on hard power in the 1990s, pushing the production and development of art films and neglecting the commercial films with greater audience potential? The way they exercised hard power has changed over the years. The production in Finland has moved more towards supporting commercial- and genre productions during the past two decades. More emphasis is put on nurturing a business ecosystem over time, rather than just producing cultural products. A key method to analyse how Finnish Film Foundation developed and managed the ecosystem is to investigate more deeply the use of smart power over the years in the ecosystem.

The Finnish Film Foundation has over the years reactively accepted support applications, and thus making it possible for certain films to proceed to production, distribution and eventually exhibition. The Foundation has also been proactively making changes to the support guidelines and hence changed the process that film producers need to go through before moving into production. This has resulted in more accurate marketing and distribution plans and more defined cooperation between distributors and producers. The Foundation was also indicating their willingness to support other genres like animation-, youth-, and children's films in the 2000s. This research argues that it was an encouragement and a signal to the entire industry to start planning these types of productions. According to Harri Ahokas, supporting a domestic horror production in the 1990s would not have been even considered in the Foundation, to give some perspective. This attitude has over the years changed, and now a variety of different genres that serve large audiences are improving the ecosystem's health. Today, even Finnish documentaries can reach up to hundreds of thousands of admissions, whereas in the 1990s they were more or less non-existent. These are all examples of how the Foundation has exercised hard power to manage and nurture the ecosystem over the past two decades. The way in which the Finnish Film Foundation allocates the support funds, makes changes to the support guidelines and reacts to support applications can be considered as exercising hard power strategies in the ecosystem. When the Foundation makes a change in their support guidelines, the industry is then “forced” to follow, since it is so dependent on the Film Foundation’s funding. However, it is important to understand that the film industry then again influences how the Foundation determines the guidelines to an extent, as complementor relationships are always two-sided.

Digitalization of the theatre network was also a significant investment from the Foundation, and shows how the Foundation saw this new technology to be crucial to the future of the ecosystem. They used their hard power in a proactive manner by investing in the digitalization of the theatre network. Hard power was not enough though, as the adoption of digital technology faced a fair amount of resistance in the ecosystem. In order to adopt the new technology, many ecosystem players had to make significant investments, and this caused tension between the ecosystem key players. The Foundation used smart power strategies as they arranged training and seminars about the benefits and challenges of the digitalization to the film industry. They also indicated their willingness to monetarily support the digitalization and shared their vision of digital cinema being crucial for the industry in the future. Using soft power strategies was necessary, as they needed to convince other ecosystem players to adopt the new technology and make investments. Other players definitely affected this adoption as well – maybe even more than the Foundation. The first commercially operating digital screen was opened in Tennispalatsi, and the Finnish Film Foundation monetarily supported this digitalization with approximately 55 000 euros. The Foundation did not take part in monetarily supporting the digitalization of the rest of Finnkino’s screens. We can however assume that when the first screen was launched, the benefits of digitalization were immediately more concrete, and therefore easier to understand for other theatres. This finally convinced them to invest in digitalization of their own theatres.

The Finnish Film Foundation has over the years provided advisory services to the Finnish production companies on how to apply for funding from international sources. This serves as a good example of the use of soft power strategies. We can assume a connection between establishing bridges to international markets and an increased amount of international co-productions.

Finally, the Finnish film foundation began making Strategic objective plans in cooperation with the industry back in 1999. These documents served as strategic roadmaps for the ecosystem, proactively developing strategic targets years that would serve a common benefit in the ecosystem. This is also a great example of the use of soft power. By sharing their own vision, the Foundation made other players in the ecosystem want what the Foundation wants, and in this way, gave direction to the entire ecosystem.

An important factor driving the ecosystem evolvement has, however, probably been the change in the attitudes within the Foundation. This change of attitude rises from the narrative, as the Foundation over the years shifted towards a more business oriented, portfolio approach in their support decisions, that aimed to serve a large audience and nurture the domestic admission base. The ecosystem seems to have learned after the emergence of VHS, that supporting productions that yield high admissions is quite important to the health of the ecosystem.

7. Discussion

In order to investigate how the ecosystem for Finnish film has developed between years 1995 and 2015, I constructed a historical study based on the data available on the topic. The historical narrative served as a basis for the case analysis, and a systematic combining methodology was followed to conduct the research. The research however, is by no means an all-encompassing explanation for how Finnish film gained popularity over the past 20 years. It argues, that the evolvement and management of the Finnish film ecosystem has had a positive effect on the popularity of Finnish film and thus opens new opportunities for further research on the topic. It serves more as an explorative research on the evolvement of the Finnish film ecosystem – and in the process – contributes to the existing ecosystem theory discussion. This research contributes to the academic discussion by commenting how ecosystems evolve over time and how they can be managed, and provides managerial guidelines for developing ecosystems from a focal organization’s perspective.

The ecosystem for Finnish film changed in many ways between years 1995 and 2015: Both public and private funding increased significantly in the ecosystem, more diverse and more effectively established funding methods emerged in the ecosystem, more films were produced annually over time, dynamics and interdependencies between key ecosystem players changed, admissions increased massively and market share shifted more and more from American productions to domestic film over time. Multiplex cinemas emerged in the market, new technology emerged in the ecosystem, theatres were digitalized and the variety of Finnish film productions increased enormously as new genre productions started taking place and gaining audience. Finally, Finnish film started gaining international recognition and international co-productions became more common.

The evolvement of the ecosystem seems to have moved in certain identifiable stages. First, the VHS hit the market and the ecosystem was facing a self-renewal stage, as Finnish film was struggling to cope with the sudden changes in the ecosystem. This inspired a more business oriented approach in the ecosystem, and the importance of commercial productions slowly became more evident. As a result, an increasing number of films with higher audience potential started flowing in to production. This resulted in more admissions over time, which pumped life in to the ecosystem, nurtured it and developed it further. This then gave space to the emergence of genre productions, as there was now more knowledge, more resources, increased cooperation between ecosystem key players and a stronger demand for Finnish film. As a result, an increasing variety of different Finnish films proceeded into production. The demand was now there, and focus shifted growingly in to serving the demand more effectively – digitalizing the theatre network.

Adner and Kapoor (2010) suggest, that innovation ecosystems can be developed by solving innovation problems. An ecosystem can move from high innovation challenges towards low innovation challenges by addressing the external component challenges and the external complement challenges (Adner and Kapoor, 2010). The Finnish Film in the 1990s was in a situation where both external complement and component challenges were high. The ecosystem first addressed the external component challenges as the Finnish Film Foundation focused heavily on film production and began to see the value in productions with high audience potential, and then later also more in the variety of Finnish film as they began to support a variety of different genres more actively. This led to a situation where the ecosystem was mainly facing external complement challenges, as the theatre network needed digitalization. The ecosystem then moved towards developing these areas.

Naturally, this is a highly-simplified view, but these key themes can be recognized from the data. It is important to keep in mind that financially supporting the professional production of Finnish films is still at the core of the Foundation's operations. This research however argues, that focusing on one innovation challenge area at a time is an effective strategy for developing an ecosystem, rather than pursuing to improve all areas simultaneously. The key is to identify which area to focus first: component challenges or complement challenges.

Adner and Kapoor (2010), do not fully explain whether these challenges should be addressed simultaneously, or if focusing on one area at a time is a more effective strategy in ecosystem development. This therefore is one theoretical contribution of this study. A focal organization within an ecosystem needs to understand which innovation challenge area is most crucial in the ecosystem and focus on developing that area, rather than trying to solve all problems simultaneously.

This research has strongly argued that the Finnish Film Foundation is a focal organization in the Finnish film ecosystem. They therefore have power over the other members in the ecosystem, and hence power to develop the ecosystem. The paper visited the concept of smart power, which is the art of balancing hard and soft power (Nye, 2009; Yoffie and Kwak, 2006). Using smart power can be an effective strategy for a focal organization to manage an ecosystem (Williamson and De Meyer, 2012; Yoffie and Kwak, 2006). This research argues based on a real-life case study, that innovation challenges can be addressed in an ecosystem by exercising smart power in the management of complementor relationships, combining multiple views from current academic theory on power strategies, innovation ecosystems and ecosystem management.

Hence, if a focal organization desires to move the ecosystem into a more favourable position in the innovation matrix, smart power is key. The Finnish Film Foundation over the years balanced hard- and soft power methods to develop the ecosystem further. To give an example, when the Foundation makes changes to the support guidelines, it indicates what kind of productions they are willing to support – and as a result – the ecosystem is then “forced” to follow. Then again, developing strategic roadmaps for the ecosystem in cooperation with the industry was a way to win others over and make the key players in the ecosystem want what the focal organization wants. Also, by investing in the first digitalized screen in Finland, the Foundation eventually managed to convince the industry to start investing in the digitalization of the theatre network, as the benefits of a digital screen suddenly became more concrete to other theatre owners.

Balancing soft- and hard power strategies is highly dependent on the unique underlying conditions that apply in the ecosystem at that specific point of time, and these conditions stem from the nature of existing complementor relationships (Yoffie and Kwak, 2006). Using smart power to address an innovation challenge in the ecosystem hence requires the focal company to identify the key players and their two-sided relationships. The nature of these complementor relationships and the unique stage that the ecosystem is in, then defines how a focal organization should exercise smart power (Yoffie and Kwak, 2006). Nye (2009) refers to this concept in foreign policy as *contextual intelligence,* and in this research, we bring this concept to the context of addressing innovation challenges in ecosystem management. For example, using excessive hard power can in some situations cause mistrust between key ecosystem players (Yoffie and Kwak, 2006) while some soft power strategies might perhaps fail to win others over, and therefore fail to have the desired effect on solving the innovation challenge.

We now come to the theoretical contribution of this research. In ecosystems where the focal company is a non-profit organization which ultimate mission is to make the industry bloom rather than gaining competitive advantage and profits, a certain process should be followed.

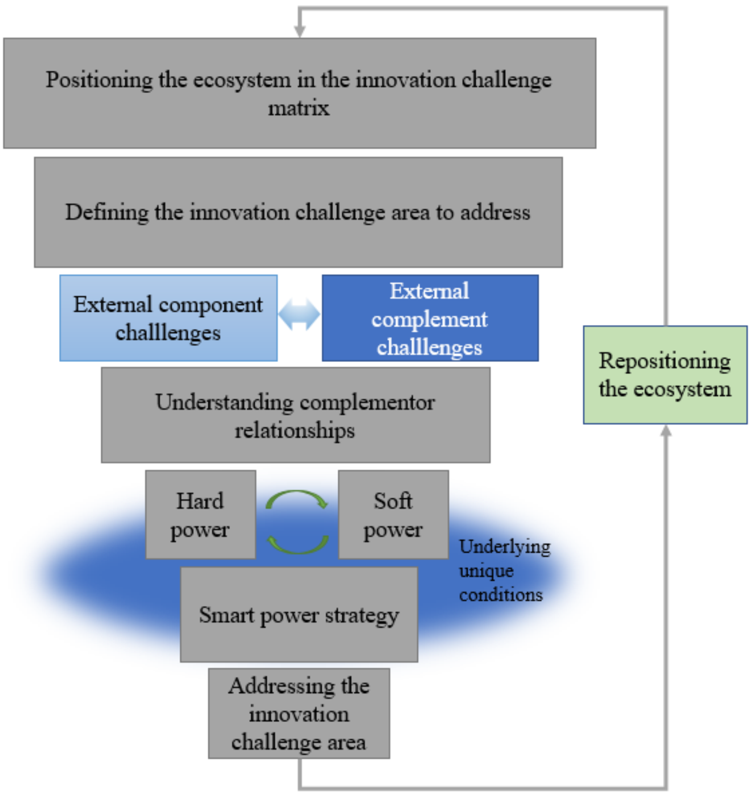

Figure 9. A process for developing ecosystems by addressing innovation challenges with the use of smart power strategies. Essentially based on views by Adner and Kapoor (2010), Yoffie and Kwak (2006) and Nye (1990).

The figure visualizes the process, and is essentially based on views presented by Adner and Kapoor (2010), Yoffie and Kwak (2006) and Nye (1990), combining them in to one theoretical framework. It combines the current views on innovation challenges in an ecosystem, complementor relationship management and smart power strategies. It explains how focal organizations can develop ecosystems by first positioning the ecosystem in the innovation challenge matrix. After positioning the ecosystem in the innovation challenge matrix, the focal organization needs to determine whether focusing on external component challenges or external complement challenges is more crucial to the development of the ecosystem. This paper argues that focusing on a specific area at a time is an effective way to develop an ecosystem, rather than focusing efforts on multiple areas simultaneously.

After deciding which innovation challenge area should be addressed, understanding the complementor relationships becomes important. The nature of existing component relationships and the unique characteristics of the ecosystem form unique underlying conditions in the ecosystem – a similar approach to complementor relationship management presented by Yoffie and Kwak (2006). Understanding these relationships and conditions is then key when deciding how a smart power strategy should be formulated. Smart power is about understanding how to balance soft power and hard power in a given situation (Nye, 2009; Yoffie and Kwak, 2006). Contextual intelligence (Nye, 2009) – referred to as underlying unique conditions in this research – helps to understand how smart power should be correctly exercised in a given situation. Focal companies can in this way develop ecosystems by addressing the chosen innovation challenge with correctly formulated and executed smart power strategies. When the innovation challenge has been solved, the focal organization should reposition the ecosystem in the innovation challenge matrix, and make a strategic decision on what area to focus on next.

8. Conclusions

The focus of this research was to analyse how the ecosystem for Finnish film has evolved during years 1995-2015, and how the Finnish Film Foundation has acted as a focal company in this ecosystem, contributing to its development. To be able to analyse how the ecosystem has changed and how Finnish Film Foundation has acted as a focal company, it was necessary to map the ecosystem based on existing literature on business ecosystem development, historical records kept by the Finnish Film Foundation and online sources available about the topic.

Based on the analysis, I can conclude what have been the some of the factors explaining how the ecosystem for Finnish film has evolved over the years, how the popularity of Finnish film has increased and how the Finnish Film Foundation has contributed to this evolvement.

My research argues that the growth in annual allowance has had a significant impact on the growth in film development, production and marketing budgets and the volume and variety of films produced annually in the market. The growth in annual allowance has also affected the distribution of films becoming more effective and accessible, as digital copies have reduced the costs of film theatre distribution and allowed theatres to screen a more diverse selection of films, hence giving more opportunities for Finnish film. My research assumes that these factors are core to the ecosystem for Finnish film and have had a significant impact on the admissions for Finnish film. We now come back to the initial research question of this Master's Thesis:

How has the Finnish Film Foundation contributed to the evolvement of the ecosystem for Finnish film during years 1995-2015?

The Finnish Film Foundation acted as a focal company in the ecosystem for Finnish Film as they have been responsible for allocating a growing amount of support funds to the industry. They have managed their relationships with governmental functions in order to increase the annual allowance which they then allocate to support the industry. This support has mainly been allocated in film production, but also in other key areas that have shaped the industry, such as; digitalization of the theatre network; marketing and distribution; development support; scriptwriting support; and film festival support – to name a few. My research argues that the Finnish Film Foundation has – as a focal company – used its smart power to address innovation challenges in the ecosystem. Hence, they have developed the ecosystem into a direction that has resulted in a healthier ecosystem – as can be seen from the increased cinema admission statistics for domestic film.

It would be naïve, however, to assume that the ecosystem evolvement is an achievement entirely accomplished by the Finnish Film Foundation. Other key ecosystem players have most definitely played crucial roles in this ecosystem evolvement case, and there might be some events or interdependencies that this research failed to acknowledge. This research was exploring the ecosystem evolvement and management from the perspective of the Finnish Film Foundation during years 1995 to 2015. It was a conscious choice, as making clear conclusions from several different narratives can be challenging (Brown 1998, as in Pentland 1999) – and result in a situation where the research tries to explain everything while actually explaining nothing.

The research is therefore to some extent subjective, and presents the ecosystem evolvement mostly from the Foundation's perspective. Other ecosystem players such as the production companies and distributors might have different, or even conflicting views to this perspective. That opens an interesting avenue for further research in this area. This research concludes, that the Finnish Film Foundation as a focal organization in the national film ecosystem, played an important role in the evolvement of the Finnish film ecosystem during years 1995 to 2015. It also shows how the ecosystem evolvement is one key explanation for the increased popularity of Finnish film over the past two decades. Based on this knowledge, the research provided managerial implications for ecosystem development and contributes to the academic ecosystem management theory discussion.

9. Limitations and further opportunities in Finnish film research

One direction for future research is to explore this same phenomenon from a production company's or a distributor's perspective, and compare the findings. There is also room for more detailed research on what kind of films actually affect the total admission figures in Finland. One opportunity would be to test whether the amount of film releases per year affects the admissions, or in contrary if a more concentrated funding strategy focusing on film quality results in more admissions per year for domestic film. A deeper analysis that compares how the Finnish Film Foundation has supported commercial productions in relation to niche audience films over the years is also an interesting angle. Categorization can also be made between movie genres and explore, if funding a specific type of film or a portfolio of films annually yields a higher amount of cinema admissions than other types of combinations in Finland. This research serves more as an explorative research on the evolvement of the Finnish film ecosystem and opens new research opportunities for the future.

The marketing technology has also over the years developed quite significantly, and the internet generation has taken over consumption. There are virtually limitless opportunities in this field as well. Further research could focus on investigating in more detail how the marketing of Finnish films has improved and how this has affected the admission figures for domestic film over the years, or how the consumption of films is changing.

Taking Pentland's (1999) arguments on narratives as research methods in to account, this research acknowledges that the data used to develop the narrative is subjective, as it is based on historical records documented by the Finnish Film Foundation, and member checks with individuals who are a part of the Foundation – or have close ties with it. In addition, the research acknowledges the fact that I as a researcher interpret the data through my own personal evaluative frame, encompassing the development and structure of the narrative based on a significant amount of rich data which could be interpreted in various ways. This is, however, core to the principle of systematic combining.

Another key factor to point out is that the digitalization of movie theatres and the emergence of multiplex cinemas contributed to the entire industry – including foreign film. It would be interesting to investigate in more detail how these factors have contributed to domestic film compared to foreign films. Technology, distribution and exhibition are important capabilities in the film ecosystem's value production, but the successful planning of the production is becoming ever more crucial in the film industry (Lampel and Shamsie, 2003). Therefore, making a judgement on how much these changes have actually affected the domestic film can be quite challenging. What can be concluded from this research is that they do affect Finnish film and have developed the ecosystem. Exploring deeper links between these factors is an interesting area of research for the future. Aalto-University's research about the digitalization of the Finnish theatre network in 2013, concluded that the benefits of the digitalization of Finnish film theatre network are still unclear for the industry professionals, but there is a clear unanimous opinion that the viewers of domestic film have benefited.

My research also acknowledges that the attitudes among consumers can have a significant effect on admissions, and they probably have changed over time. The focus of this research was however to investigate how the ecosystem evolved over the years and how the Finnish Film Foundation contributed to this evolvement. It is possible, that the healthier ecosystem has actually resulted in a change of attitudes among consumers in Finland. There is a lot of research to be done in this area as well.

The quality of the movies might also have improved or the attitudes among consumers might have changed. This might have affected the movie theatre admissions, but my research digs into the root cause of these phenomena – the ecosystem evolvement. Also, while investigating consumers' attitudes towards Finnish films and their quality would is an interesting topic, it does not reveal the actions the Foundation has taken, the strategy they have developed, the changes the industry went through and the effect it has had to the ecosystem and in this way to the domestic cinema admissions.

For this reason, my research focused on investigating how the Foundation has developed and managed the ecosystem for Finnish movies over the past two decades, the effect this has had on the funds for Finnish films and how the strategical allocation of this funding by the Foundation have affected the admissions.

When researching the growth in admissions, it is important to take into consideration what factors affect the admissions and box office performance of a single film. This research explained how the ecosystem developed over the past 20 years, and how the Finnish Film Foundation acted as a focal organization in this ecosystem. The research draws conclusions on how the development within the ecosystem has led to increased admissions for domestic film in Finland, but it is necessary to acknowledge other factors that might affect the performance of individual films.

Some research suggests, that critics, film stars, and production budgets can influence the box office revenues (see e.g. Basuroy et al 2003; Liu et al. 2014). It is therefore possible, that the Finnish films have over the years received better critic reviews, starred bigger film stars and had bigger production budgets. These factors might then have played a role in contributing to the growth in admissions for Finnish film. This provides further opportunities for future research when investigating Finnish film.

In order to investigate how the ecosystem for Finnish film evolved and was developed between years 1995 and 2015, I constructed a historical narrative based on the data available. In addition to this, a few quantitative methods were used as a part of the narrative to explain how the ecosystem has evolved. However, a significant amount of questions yet remain unanswered, and a lot of assumptions are made. Hopefully, this research will serve as a good general description of the ecosystem evolvement and management, and inspire further research in the area.

As a final word, it is good to keep in mind that measuring a films quality in terms of admissions or box office performance is a highly business oriented and an extremely narrow approach. When taking the artistic and cultural value into consideration, the complexity of film as a research topic becomes evident.

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